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ABSTRACT

After a brief review of alternative methods of providing financial aid to students, the most significant differences between ten OECD member countries in the type, methods, and objectives of student aid policy are summarized. The implications of the alternative types of aid are then discussed. The ten countries are Australia, Canada, France, Germany, Japan, the Netherlands, Norway, Sweden, the United Kingdom, and the United States. (Author/MSE)

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REVIEW OF STUDENT SUPPORT SCHEMES IN SELECTED OECD COUNTRIES

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PARIS 1978

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REVIEW OF STUDENT SUPPORT SCHEMES IN SELECTED OECD COUNTRIES

by
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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development (OECD) was set up under a Convention signed in Paris on 14th December 1960, which provides that the OECD shall promote policies designed:

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- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;
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FOREWORD

Parallel to the expansion of post-secondary education the past decades have witnessed an extraordinary growth of expenditure on student aid programmes in many OECD countries. With the changing socio-economic situation of the early 1970s and growing competition for less readily available public resources, the issue of financial support to students, whether direct or indirect, has developed into a major educational policy controversy in a number of Member countries.

Student aid schemes have consequently come under closer scrutiny and evaluation in the light of both efficiency and equity considerations. As a result many Member countries envisage, or have actually introduced, significant changes in the ways and means by which financial aid to students in higher education is to be granted.

In view of these developments the Education Committee of the OECD considered it an appropriate time to undertake an examination and evaluation of the different schemes being adopted in various Member countries. The results of this study are presented in the present report. The first part summarises the most significant differences between countries in the type and methods of student aid policy and their objectives. Part II gives a more detailed account of the systems of student aid in ten OECD countries. Part III briefly discusses the implications of alternative systems of student aid and their effectiveness in meeting educational, social and economic objectives.

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FINANCIAL AID FOR STUDENTS IN OECD COUNTRIES

Summary of trends and areas for further investigation

A. Major trends

In all the countries in this review there have been a number of developments in student aid policy in recent years and certain common trends can be seen, even though there is still a wide variety of types and methods of student aid.

One of the most striking trends is that student aid, whether in the form of grants or loans is now increasingly being distributed in accordance with financial need, rather than academic merit. The most recent examples of steps in this direction are the new government schemes in Australia and the proposed reform in the Netherlands. Some countries still retain systems of competitive scholarships, awarded on the basis of merit, e.g. Japan, in certain cases in France, and State government scholarships in Australia.

The abolition of competitive scholarships usually results in the introduction of a means test as the criterion for judging a student's eligibility for direct aid. Another trend, however, has developed in recent years, in several countries, that is to award financial aid on the basis of a student's own level of income, rather than that of his parents. This trend is particularly strong in Scandinavia. For some years the Swedish government has awarded grants and loans to students on the basis of their own income, or that of their husband or wife, and no allowance has been made for the level of parental income. The parental means test was abolished in Norway in 1972, and now even a spouse's income is ignored, when awarding loans in Norway. There has been considerable pressure in other countries, for example the United Kingdom, for the abolition of a parental means test.

In those countries where the parental means test has been abolished, it has been done in order to promote the financial independence of students. At present, the age at which students achieve financial independence from their parents varies from 19 to 27 in different countries. But there is a tendency to reduce the age at which students are assumed to be independent. The new Dutch system will provide basic grants for all students, rather than subsidies to students' parents by means of tax relief and family allowances, and there is strong pressure from students in the United Kingdom, in favour of a similar change. A proposal was made to the Australian government in 1975 that students should achieve a progressively greater degree of financial independence each year between the ages of 18 and 25, rather than simply at the age of 25 as at present. This pressure for students to be regarded as independent of their parents at an earlier age is closely linked with the trend in OECD countries for an earlier age of majority. It is increasingly recognised that it is an anomaly that young people should be free to vote, or to marry, at the age of 18, but still regarded as financially dependent on their parents up to the age of 25 or over.

If students are regarded as financially independent of their parents at an earlier age, this means that governments are more likely, in the future, to give financial aid directly to students and to abolish indirect aid such as tax relief for parents, or family allowances. There is a marked trend in several countries towards co-ordinating all the forms of direct and indirect aid for students and their families, and substituting a single system of grants or loans for students for more mixed systems based on tax concession and other forms of aid to students. In Norway tax relief for students' parents has already been abolished, and it is proposed to abolish it in the Netherlands. France is a striking exception to the trend towards providing a greater proportion of aid directly to students and is unique in providing such a high proportion of aid indirectly through subsidies to parents, or by means of subsidised food or lodgings. On the whole, the tendency is increasingly to provide aid directly to students, in the form of grants or combined grants and loans.

The United States is unusual in providing aid for students by means of special employment programmes. Although in most countries students are partly dependent on their own earnings to finance their living expenses, or even tuition fees, in most cases they must find employment for themselves, without assistance from public authorities. In many countries a high proportion of post-graduate students finance themselves by part-time jobs in universities.

Most of the countries in this review make some use of loans as a means of financial aid to students, and there is a trend towards increasing the length of repayment period, so that graduates may spread the burden of repayments over a greater part of their working life, and also to make the level of repayment dependent in some way on the level of a graduate's income. There are very few genuinely income-contingent schemes, under which students undertake to pay a fixed proportion of their income each year, to repay their loan, but there are a few private schemes of this kind in the United States and in several countries the level of loan repayments does vary to some extent with the level of a graduate's income. In Germany and Norway some account is taken of a graduate's income or expected income, when determining the rate at which a loan must be repaid, and in Sweden and Germany instalments are automatically postponed if a graduate's income falls below a fixed minimum. All these characteristics can be seen as a general trend towards easing the burden of debt for graduates who financed their higher education by means of loans.

These attempts to ease the burden of debt for graduates have been made increasingly necessary in recent years because of higher rates of inflation and graduate unemployment. Several new problems have emerged as a result of the increased rate of inflation; for example, Sweden has introduced a fixed interest rate for study loans in place of the old system under which graduates repaid their loans in constant price terms. Similarly, the problem of inflation has caused public authorities in several countries to increase the frequency with which levels of aid are changed.

Changes in labour market conditions for graduates have, in some cases, caused an increase in the rate of default among graduates with loans, and also have been partially responsible for a trend away from the use of student aid as a means of influencing the supply of graduates in particular occupations. Several countries still have special student aid provisions for students intending to enter teaching, which were introduced in periods of teacher shortage. Now that there is a general easing of shortages, and even in some cases the emergence of a surplus of teachers, there is a tendency for these special provisions to be abolished, or to become less important. This is the case, for example, in Australia, France and the United States where there has been a marked reduction in the amount of aid devoted to attracting teachers. However, special provisions are still sometimes suggested as a way of attracting scientists or engineers. One of the few countries to put this into effect, recently, is Yugoslavia.

Underlying these reforms is a general trend towards treating students on a more uniform basis in the provision of financial aid. Several countries have introduced, or are planning to introduce, a basic grant for all students which can be supplemented, where necessary, by additional grants or loans. *This means that the proportion of students receiving government aid is generally rising*. Japan is a unique exception in this respect, as the last few years have seen a decline in the proportion of students receiving financial assistance, due to the very rapid increase in student enrolments in recent years. The number of students receiving aid has increased, but not as fast as total student numbers, so that the proportion of university students receiving aid is now lower, at 10 per cent, than in any other country. At the other extreme, Norway, Sweden and the United Kingdom, have between 69 and 90 per cent of students in higher education receiving some form of government aid.

The countries differ markedly in their policies on *tuition fees*, but an important trend can be observed towards reductions in the level of fees, in the proportion of total costs of education covered by fees. In Canada and the United Kingdom, there has been a fall in recent years in the proportion of university income derived from fees, and in Australia, tuition fees have been abolished. However, in the United Kingdom the level of fees will be increased sharply in 1977.

Perhaps most importantly, there has been in OECD countries in recent years increasing awareness of the significance of student aid schemes in the context of social objectives, and of the need to evaluate student aid policies in this light. Several of the countries in this review are currently re-examining student aid policies, so that it is perhaps valuable to draw up a short agenda for areas which call for further investigation.

B. Areas for further investigation

One important subject calling for more study is the extent to which different objectives of student aid policy conflict: for example, the desire to treat students more equally, or to give them greater financial independence from their families may often conflict with the desire to make financial need the central criterion for awarding aid. This raises the question of the equity of existing or proposed systems of aid in terms of the distribution of the benefits and the costs of student aid in terms of the distribution of the benefits and the costs of student aid between different groups of society: does student aid involve a transfer of income from rich to poor, or, as is sometimes suggested, from the average taxpayer to those who will, in the future, have high incomes? Further analysis on this topic would be useful, for at present judgments about the re-distributional impact of different student aid programmes are based on very inadequate evidence.

There is also a need for more research on the actual impact of student aid on equality of opportunity. It is often very difficult to identify how much of an increase in enrolment among working-class students is due to a change in student aid provision, and how much is due to other factors. More study is also needed of the relationship between financial aid in higher education and at the secondary level. It is increasingly being argued that a shift of aid resources away from students in higher education to upper secondary pupils may be needed to achieve true equality of opportunity.

Many countries have only recently begun to examine the actual patterns of expenditure and sources of income of students. Student aid schemes often provide grants or loans which are intended to cover a certain proportion of student's actual costs, without the authorities having accurate and up-to-date information on the actual level of expenditure or other sources of income. Surveys of student expenditure have recently been carried out in Australia, Norway and the United Kingdom, but it would be valuable to have more data on student income and expenditure in different countries, and particularly on recent trends. This would throw light on such questions as whether the provision of government grants or loans for students enable them to increase their standard of living and achieve higher levels of income, or whether students simply substitute government aid for other sources of income, such as parental contributions or part-time work.

There is a need for more analysis of the sensitivity of demand for higher education, and demand for student aid, in relation to changes in the terms of aid. For example, it is often asserted, without evidence, that the introduction of loans for students in the United Kingdom, would reduce demand for higher education, particularly from working-class students, or that an increase in the rate of interest charged on loans in countries which now charge students a low or zero rate of interest, would cause a decline in the demand for loans. But there has been very little research on the actual effect on student demand, of such changes in the provision of aid.

Finally, more study is needed of the relationships between student aid and other forms of government subsidies for education, and for families. Several countries have recently begun to examine student aid policies in relation to policies on tuition subsidies and also general family support programmes and the structure of taxation. In future, student aid policies should be examined in the much more general context of questions of how non-compulsory education should be financed and how the costs and benefits should be distributed between the government and individuals, rather than in isolation.

INTRODUCTION

Governments in all OECD countries provide some form of financial aid to students in higher education, and to pupils who voluntarily continue their secondary education beyond the minimum school-leaving age. However, the extent and the level of financial assistance, the methods by which it is provided, and the basic objectives of student aid policy differ substantially between countries. These differences reflect political and economic differences as well as the historical development of a particular pattern and administrative structure for post-secondary education in each country.

There are, of course, differences between Member countries in methods of financing compulsory education, particularly in the relative contributions of public and private firms. However, differences in the pattern of financing are even more pronounced at post-secondary levels, particularly with respect to the distribution of public funds between institutions and individuals, and also the sharing of the costs of higher education, between the student and the State.

It is, therefore, interesting to compare various Member countries of OECD, in terms of the level and the methods of subsidy for students in higher education, both for the light this throws on general questions about financing education, and because the issue of student support is of particular relevance in many countries at this time. The last decade has seen a tremendous growth of expenditure on student aid in many countries and a marked increase in public concern about the efficiency and equity of student aid policy. Several OECD countries have recently undertaken, or are at present considering, fundamental changes in their policies towards financial aid for students. For example, in 1975 the United States began to consider changes in its existing student financial aid programmes and enacted several major modifications late in 1976. Also in 1975 the Swedish government set up a committee to review the entire system of student support. In 1974, the Dutch government announced a series of significant changes in the system of grants and loans for students. In Britain a Parliamentary Committee in 1974 proposed radical changes in the system of educational maintenance allowances for secondary school pupils aged 16 to 18, although the government has not accepted these proposals and the whole question of financial support for the 16-18 age group is still under review. Similarly, the Australian government announced, in August 1976, an "urgent investigation into the adequacy of existing rates of benefit" (under the whole range of government assistance schemes for students) and "the possible rationalisation of the schemes". In Germany, also, a new system of student aid was adopted in 1971, and modified in 1974.

Thus, the pattern of student aid in OECD countries is constantly changing, and is subject to considerable re-appraisal at the present time. It therefore seems an appropriate time to look at the different systems adopted in various countries, in order to compare the methods and levels of student aid, and to evaluate the effects of different systems on a number of policy objectives. The purpose of this paper is to provide a summary of the main features of student aid programmes in ten OECD countries, to examine recent proposals for change in these countries, and to attempt an assessment of the effectiveness of alternative systems of student aid in achieving different objectives.

The paper concentrates on the following countries:

Australia
Canada
France
Germany
Japan
Netherlands
Norway
Sweden
United Kingdom
United States.

It has not proved possible, in the time available, to collect equally detailed information about all the countries, so that the descriptions that follow are not exhaustive, but concentrate on the main features of the systems, and the extent to which countries have adopted different techniques and methods of administering financial aid to students, and the extent of variation in:

(a) the level of aid;
(b) the proportion of students receiving aid;
(c) conditions for eligibility and other terms and conditions of aid;
(d) the treatment of students in different institutions of higher education;
(e) the treatment of special categories of students such as adults, or those taking part-time courses;
(f) the availability of aid for secondary school pupils.

The paper is largely descriptive but it also attempts an analysis of some of the effects of alternative methods of student aid, particularly in terms of:

(i) equality of opportunity;
(ii) equity;
(iii) educational efficiency;
(iv) level of public expenditure;
(v) administrative efficiency;
(vi) demand for higher education;
(vii) responsiveness to labour market conditions;
(viii) access to non-traditional forms of education;
(ix) links between student aid and wider forms of financial support for individuals or families, such as social security schemes, and tax relief.

The first part of the paper summarises the most significant differences between countries in the types and methods of student aid policy and their objectives. Part II gives a more detailed account of the system of student aid in the ten countries. Part III looks briefly at the implications of different types of student aid and their effectiveness in satisfying educational, social and economic objectives.

I. ALTERNATIVE METHODS OF PROVIDING STUDENT AID

Types of Aid

There is no general agreement in OECD countries on the two questions of who should pay for post-compulsory education, and how the finance should be provided. No country allows the total cost of higher education to be borne entirely by individuals, and equally, there is no country where the full burden of cost falls on public funds, at least if the indirect costs of students are taken into account, as well as the direct costs of tuition. However, the balance between public and private resources varies considerably between countries. Every government recognises the need to subsidise higher education, in the belief that society as a whole, rather than simply selected individuals, should enjoy the benefits of education, and in order to ensure that able students are not prevented, by poverty, from completing their education. But in very few cases does this subsidy cover the whole direct and indirect costs of education, and it is provided in a great variety of ways.

Subsidies for higher education can take the form either of payments to institutions or direct subsidies to students or their families. In fact, the universal practice is for governments to make both types of payment, but countries differ markedly in the relative importance of the two types of subsidy. In OECD countries at present, examples of all the following types of subsidy can be found:

(1) Payments to institutions to cover direct costs of tuition, and therefore reduce, or eliminate, fees to students.

(2) Unconditional payment to all students in the form of a grant.

(3) Payments to selected students, in the form of scholarship, grant or bursary awarded on grounds of academic ability.

(4) Payments to selected students, in the form of means-tested grants or scholarships, awarded on grounds of financial need.

(5) Repayable loans provided to students from public funds at interest rates below the market rate, or at zero interest.

(6) Government guarantees for loans provided by banks or other private institutions, at interest rates below market rates.

(7) Payments to students for part-time work provided under special employment schemes for students.

(8) Provision of meals, accommodation or travel at prices below market prices.

(9) Tax concessions to students or graduates.

(10) Tax concessions to students' parents.

Objectives of Aid

This brief catalogue of methods of subsidising higher education is enough to suggest that the subsidies are intended to serve a variety of purposes. Clearly, the same purpose cannot be fulfilled by grants to institutions and tax concessions to students, or their families. Similarly, the rationale for means-tested grants or loans is not the same as for scholarships awarded on grounds of ability. Any review of student aid policies should distinguish carefully between different types of aid.

(a) financial aid to students to cover all, or part, of the costs of tuition;

(b) direct assistance to students to cover all, or part, of their living expenses;

(c) indirect assistance, in the form of subsidised accommodation, meals, health facilities or travel;

(d) payments intended to recompense students in full, or in part, for the loss of earnings while they are in higher education.

At the same time, evaluation of student aid policies requires that they should be assessed in terms of their actual objectives, and not in terms of some vague objective that may not accurately reflect the purpose of the policy. Student aid policies in different countries are intended to achieve a variety of educational, social and economic objectives, and the priority given to different objectives varies between countries, and at different times. For example, in Britain the report of a committee appointed in 1958 to review the system of student grants identified an *educational* objective for student aid, namely that of ensuring that the supply of university places was effectively used, and an *economic* objective: "The nation urgently needs the greatest possible number of highly educated men and women"(1). The *social* objective of ensuring equality of opportunity for students from different social backgrounds is implicit throughout the report, but it is not explicitly stated. More recent reports or legislation on student aid in various countries have tended to give more prominence to social objectives, such as promoting equality of access to higher education.

Even if there is now agreement on the importance of social objectives, governments differ as to whether these should be defined in terms of removing financial barriers to access, or more positively in terms of providing financial incentives for low-income groups. Other objectives are emphasized in some countries, but barely mentioned in others. For example, in Scandinavian countries, where university students are often considerably older than their British or American counterparts, an important objective of student aid policy is to enable students to achieve greater financial independence from their parents. As the age of majority has been lowered in some countries in recent years, such an objective has been increasingly advocated elsewhere. In Britain, it has recently been argued by some trade unions that grants should be given to 16-18 year olds to enable them to be financially independent, but this argument was rejected by the Parliamentary Committee considering financial aid for this age group, which wished to do nothing to "undermine the responsibility of parents for bringing up their children"(1). Similarly, it has recently been emphasized in the United States that "a basic premise of the present student aid efforts is that parents have a responsibility to continue to support their children through post-secondary education"(2). But this is not the basic premise of all student aid systems, and differences in policy on means-testing student grants or loans reflect these differences in policy aims.

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(1) Department of Education, *Grants to Students*, London: HMSO, 1960, p. 5.

Unfortunately, student aid programmes do not always include a precise statement of objectives. But the objectives (either explicit or implicit) of existing student aid systems in most OECD countries include some, or several, of the following:

1. To enable all able students to continue their education beyond the compulsory stage without financial hardship.
2. To ensure sufficient demand for higher education to meet national needs.
3. To promote greater equality of opportunity for students from different social or income groups.
4. To increase the participation in higher education of minorities, such as children from low-income families or particular ethnic groups.
5. To reduce inequalities of access to higher education between particular groups in society, such as men and women, or working-class and middle-class children.
6. To improve the efficiency of education and enable students to use their time more effectively, by reducing the incidence of part-time work among students.

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(1) Third Report from the Expenditure Committee, Session 1974, Educational Maintenance Allowances in the 16-18 Years Age Group, London: HMSO, 1974, p. viii.

(2) National Task Force on Student Aid Problems, printed in Higher Education Legislation 1975: Hearings before the Sub-Committee on Education of the Committee on Labor and Public Welfare, United States Senate, Part 1, Washington: United States Government Printing Office, 1975, p. 297.

7. To promote financial independence of students.
8. To increase freedom of choice for students with respect to type or length of study.
9. To encourage students to choose particular subjects of study (e.g. science or medicine).
10. To encourage graduates to enter particular occupations (e.g. teaching).

This list is not exhaustive, and it does not apply for every country. In fact several of the objectives actually conflict. For example, some schemes attempt to increase students' freedom of choice by equalising the costs of different types of education, whereas others specifically aim to influence career choice by offering more generous student aid in particular subject areas, or for graduates in certain occupations.

Financial Aid for Tuition Costs

The countries included in this review fall into two distinct groups, those in which fees in higher education have been abolished, and the costs of tuition are covered completely by government grants to institutions, and those in which universities and other institutions do charge fees, and student aid includes some financial assistance towards tuition costs. Fees have been largely abolished in five of the ten countries under review: Australia, France, Germany, Norway and Sweden. In some cases, for example Norway and Sweden, there is a long tradition of free tuition in higher education, in Germany tuition fees have been abolished more recently; in Australia fees were abolished in 1974 in universities and colleges of advanced education, although some institutions still charge fees.

In the other five countries, universities and colleges charge tuition fees, but their level varies considerably. In the Netherlands and the United Kingdom fees cover a small proportion of the actual current and capital costs of higher education and students who receive financial aid have their fees paid by the public authorities. In the Netherlands, if a student receives the maximum amount of aid, his fees amount to only 8 per cent of his total grant. In the United Kingdom fees represent rather more of the total expenditure on student aid; in 1973 the proportion of student aid devoted to fees was 19 per cent, but at the same time, fees accounted for only about 7 per cent of the total income of universities(1). Sharp increases in fees have recently been proposed by the United Kingdom government, which would mean that the proportion of university income derived from fees would increase, and there would be a corresponding increase in the amount of student aid devoted to fees. However, these proposals are still under review. In Canada, fees cover a higher proportion of expenditure, but the proportion has declined in recent years; in 1956 about 18 per cent of all expenditure on post-secondary education was derived from fees, but in 1975 the proportion was only 10 per cent. In some institutions fees are a rather more important source of revenue. In universities in the province of Ontario, for example, fees accounted for 32 per cent of expenditure in 1956 and 27 per cent in 1966(2). In Japan and the United States of America there is considerable variation between public and private institutions. In both countries, public and private institutions exist side by side, both charge fees, and in both Japan and the United States the ratio between the average fees in private and public institutions is about 5:1. But apart from this similarity, the pattern of higher education in the public and private sectors is very different in the two countries.

In the United States private institutions cater for a minority of all students, and the proportion of total enrolment has declined steadily from 50 per cent in 1950 to 21.5 per cent in 1976(1). In Japan, on the other hand, over 70 per cent of all students are in private colleges or universities, and enrolment has risen faster in the private sector than in public institutions. The other striking difference between the two countries is that in the United States, tuition costs are much higher in private than in public institutions, whereas the reverse is true in Japan.

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(1) These figures are in fact for England and Wales, rather than the United Kingdom as a whole.

(2) G. Cook and D. Stager, Student Financial Assistance Programs with Special Reference to the Province of Ontario, University of Toronto, Toronto, 1969.

In Japan there was, until very recently, practically no public subsidy of private higher education in the form of institutional grants, and most private institutions regarded their financial independence as an essential condition of their academic freedom(2). In the last few years the Japanese government has begun to provide direct subsidies to some private colleges and universities.

In the United States on the other hand, there has been vigorous campaigning by private institutions for an increase in government subsidies, since private enrolments have been falling, and fees in the private sector have risen much faster than in public institutions, so that what American administrators call "the tuition gap", (that is the difference between the average fee in private and public institutions) has been growing steadily. In 1951 the ratio between private and public fees was 3:1, whereas now it is 5:1 and the absolute difference between the two figures is widening each year(3). Because fees are so much higher in private institutions, the amount of student aid which they administer is, on average, two or three times higher than the amount administered by public institutions, but in recent years some public institutions have gained, in relation to private colleges or universities, in terms of the amount of student aid funds they administer(1). Because of their increasing financial difficulties, the 1,600 private colleges and universities in the United States have recently called for increased government aid, at both the State and the federal level, to help reduce the "tuition gap", and avert what is regarded as a financial crisis for private higher education. One of the ways this could be done would be by means of direct subsidies to institutions, particularly by state governments, but one of the main recommendations of the recent Task Force report of the National Council of Independent Colleges and Universities was that student aid programmes should also be modified:

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(1) A National Policy for Private Higher Education: Report of a Task Force of the National Council of Independent Colleges and Universities. Washington, D.C.: Association of American Colleges, 1974. Also preliminary 1976 enrolment data from the National Center for Education Statistics.

(2) See Noda and Watanabe, "Educational Expenditure in Japan" in Educational Expediture in France, Japan and the United Kingdom, OECD, Paris, 1977.

(3) See A National Policy for Private Higher Education, op.cit.

> "Federal programs of student aid are not well suited to the needs of private institutions and their students. The programs do not provide realistic amounts of money to help students meet the costs of attending private colleges and universities ... What is needed in these federal programs is some form of payment to compensate in part for the heavy subsidisation of public tuitions(2)."

What is advocated in the United States therefore is a continuation of the mixed pattern of subsidy, based on direct institutional grants and aid to students to enable them to pay high fees. For American colleges and universities, like the Japanese, believe that independent income from fees is a necessary condition for academic autonomy. It has sometimes been argued in Britain that an increase in the level of fees would safeguard university freedom from government control, even though a high percentage of students have their fees paid in full, or in part, out of public funds. In 1937 almost a third of university current expenditure was derived from fees, but this fell to 11 per cent in 1962 and now is about 8 per cent. The Robbins

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(1) National Commission on the Financing of Post-Secondary Education, Financing Post-Secondary Education in the United States. Washington D.C. Government Printing Office, 1973.

(2) A National Policy for Private Higher Education, op.cit.

Committee advocated increasing the level of fees so that this proportion would rise to 20 per cent, on the grounds that "it is a source of strength that public finance should come through more than one channel" and also that "up to a point it is better to subsidise students than institutions"(1). However, this has never been implemented and it remains a matter of dispute, in Britain as elsewhere, whether it is, in fact, better to subsidise students or institutions. In Canada there have also been suggestions that higher education should derive a greater proportion of its revenue from fees, with a correspondingly higher proportion of government subsidies being transferred to students. The Commission on Post-Secondary Education in Ontario recommended that this should be done by means of a non-repayable grant for children of low-income families, and income-contingent loans to enable those from richer families to pay higher fees(2). So far, however, the government has not put such recommendations into effect. One recent trend in several OECD countries has been the introduction of higher fees for overseas students. This differential is still a controversial question in several countries, for instance the United Kingdom.

The general arguments put forward in favour of subsidies to students include the suggestion that it would increase efficiency in universities, by increasing competition and by making the amount of the subsidy for higher education more visible than at present, and that it would reduce the extent of direct government control of higher education. On the other hand it is argued that it is administratively more cumbersome and costly to channel subsidies through student aid rather than institutional grants and that it could reduce freedom of choice for students, since if student aid is in any way dependent on the income of students or their families, some students would be discouraged from choosing courses with higher than average fees.

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(1) Report of the Robbins Committee; Higher Education, London, HMSO, 1963, p. 213-4.

(2) See Educational Policy and Planning in Canada, Vol. IV, Paris, OECD, 1975.

In the United States, where the range of fees for higher education is large, the difference between fees at a highly subsidised public college and a prestigious private university being about 1:5 there is a clear relationship between the level of fees charged at institutions and the proportion of low-income students who enrol.

Student aid does mitigate the effect of this relationship, particularly for students from the lowest income group. In fact, the proportion of students from the lowest income category attending the most expensive colleges is higher than the proportion from the next income group. The National Commission on the Financing of Post-Secondary Education in the United States, pointed out that "the greater availability of student aid among private institutions means that the effective tuition (fee) differential is considerably less for low-income students than for high-income students"(1). However, since student aid in the United States is means-tested this means that a student who just fails to qualify for financial aid, on the grounds of his parents' income may be discouraged, or even be unable, to apply for more expensive institutions.

Thus, the question of whether to finance tuition costs by means of subsidies to institutions or students remains a matter of dispute and raises difficult problems both with regard to efficiency and equality of opportunity.

Financial Aid for Students' Maintenance Costs

The bulk of student aid expenditure in most of the countries is devoted to the maintenance expenses of students. In the countries where tuition fees have been abolished, (France, Germany, Norway and Sweden) student aid is provided for assistance with living expenses (including travel) and expenditure on books, equipment, and occasionally examination or registration fees. In Britain over 80 per cent of government expenditure on student aid is devoted to grants for maintenance (including travel and books) and in the Netherlands the figure is about 95 per cent. In Australia too, the bulk of student assistance expenditure is devoted to maintenance, since tuition fees have been abolished in universities and many other institutions of higher education. The United States is very unusual in that a much higher proportion of student aid is used to pay fees. The National Commission on the Financing of Post-Secondary Education estimated that in 1972, about 78 per cent of total federal aid to students was used to pay fees, leaving only 22 per cent to cover "normal living costs"(1). Since then there has been a considerable expansion of federal aid to students, but even if the whole of this increase had been devoted to living expenses it would still mean that federal aid was predominantly used to pay fees.

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(1) Financing Post-Secondary Education in the United States, op.cit., p. 205.

The provision of financial aid to help students, or their families, meet their subsistence costs is regarded, in all OECD countries, as an essential part of any policy designed to remove financial barriers to access to post-secondary education. However, this does not mean that in any of these countries the cost to the student of attending a college or university is zero. In most cases even the maximum award to students is below average expenditure by students on books and maintenance. Furthermore, students, or their families, have to meet the indirect cost of foregone earnings. To the extent that foregone earnings are higher than the average maintenance expenditure of students, this represents a sacrifice of consumption, or living standards, by students. The purpose of student aid in all the countries under review is to help students meet their living expenses, rather than fully compensate them for their loss of earnings. Therefore, even if students are awarded the maximum available grant or loan they still contribute indirectly to the cost of their education by means of earnings foregone, since average living expenses are consistently lower than students' total foregone earnings.

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(1) Ibid., p. 114.

However, the extent to which student aid does contribute to the average expenditure of students, or towards recompensing them for foregone earnings varies considerably between the countries.

In the United States a survey in 1969-70 indicated that all forms of student aid (including private sources of aid) accounted for about 30 per cent of the total income of students, the remainder coming from parents (44 per cent), students' own earnings (11 per cent) or savings (15 per cent)(1). However, a substantial part of this total income was used to pay fees, so that the proportion of students' living expenses covered by student aid was well below 30 per cent. On the other hand, surveys carried out in Norway and Sweden show that student aid in the form of grants or loans from government sources alone accounted for over half the total income of students, who do not have to pay any fees(2). A survey in Australia in 1974, after the government had abolished tuition fees and introduced a new Tertiary Education Assistance Scheme, showed that half the income of full-time students was derived from student aid from public funds(3).

There is just as much variation if we look at student aid as a contribution to earnings foregone, even though student aid programmes are not fully intended to compensate for earnings foregone. Any such comparison will inevitably be very rough, since earnings foregone can only be estimated approximately. Nevertheless, even a very rough comparison indicates very substantial differences between countries. One estimate for 1970, based on case-studies of educational costs and expenditure carried out for OECD suggests that student aid amounts to 24 per cent of the earnings foregone of students in Britain, but only 5 per cent in France and 2 per cent in Japan(1). In the United States the Carnegie Commission estimated that in 1970 student aid, including that devoted to fees amounted to 13 per cent of earnings foregone. If family expenditure on fees is added, to allow for the fact that the student aid figure includes aid for fees, the proportion falls to 11 per cent.

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(1) *Ibid.*, p. 30.

(2) M. Woodhall, *Student Loans: A Review of Experience in Scandinavia and Elsewhere*. London; G. Harrop, 1970. See also p.79 of this report.

(3) Australian Department of Education and Australian Union of Students, *Income and Expenditure Patterns of Australian Tertiary Students in 1974*. Australian Government Publishing Service, Canberra, 1975.

These figures show that public authorities in some countries, for example, Australia, Norway, Sweden and the United Kingdom make a far greater contribution to the indirect costs of higher education, that is the living expenses, or foregone earnings, of students than in other countries, such as the United States or Japan. However, these figures give only a rough indication of orders of magnitude. They are not intended to give a complete picture of the pattern of student aid. Later sections of the paper will look in greater detail at variations in the level of student aid and at differences in the amount of aid provided for particular groups, such as students from low-income families, older students or those studying part-time. In countries where there are substantial differences in the amount of aid provided for different categories of student, it could be misleading to concentrate simply on average amounts of aid per student. Some aid schemes attempt to treat all students equally, regardless of the type or level of their course; others make considerable distinctions between different types of study. Countries also differ markedly in the extent to which student aid is means-tested. In Sweden, all students receive a small basic grant towards their living expenses and in addition may receive loans which depend only on the income of the student, or, if married, on the student's husband or wife; no account is taken of the level of parental income. Most of the other student aid programmes take into account the income of the parents, but the level of aid varies according to parents' income much more in some countries than others.

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(1) Educational Expenditure in France, Japan and the United Kingdom; op.cit.

Indirect Aid to Students

Countries also differ in the level of indirect aid given to students in the form of subsidised meals, accommodation, health or insurance facilities. Most governments make some contribution in this area, but in many cases no information is available on total expenditure, or it is included in the general expenditure of institutions and cannot be separated. It is, therefore, difficult to compare the level of indirect aid in different countries, but it is quite significant in some countries, such as France, Norway and Sweden, and much less so in others. For example, in Norway state subsidies for student accommodation and meals, travel and welfare amount to over 12 per cent of direct student aid expenditure, but in Japan the proportion is only 5 per cent.

Differences in the amount of aid provided by means of indirect subsidies, rather than direct grants or loans to students, may simply be due to historical accidents, or in some cases may reflect a conscious policy on the part of public authorities on the merits of payments "in kind" versus cash payments to students. There has been a tendency in recent years for students' organisations to argue the case for more direct aid, rather than indirect subsidies, since this gives students a greater degree of choice. It also means that the benefits of aid can be distributed according to a specific criterion such as financial need, rather than being dependent on where a student chooses to live or to eat. However, there has been little discussion of the relative merits of direct and indirect aid, although one study has recently been attempted in France, which compares the effect of cash subsidies (e.g. scholarships) and subsidies in kind (e.g. free meals) on the demand for education, and the probability that a student will pass his final examination(1). This shows that the choice of type of aid should be determined by the objectives of the government's policy: is it more concerned with equity or efficiency, and is it more concerned with access to education or with probability of success? In fact most governments appear to choose on the basis of administrative convenience rather than on detailed analysis of the effects of different types of aid.

Financial Aid for Secondary School Pupils

So far, this summary has been concerned only with aid for students in post-secondary education. But in recent years there has been increasing recognition of the fact that a major cause of the lower rate of participation of working-class pupils in higher education is the fact that so many leave school at the minimum leaving age without obtaining the qualifications necessary for entry to higher levels. Some countries have begun to widen their student aid programmes to include financial assistance to pupils at the upper secondary level, or have expanded existing schemes for grants, scholarships or, in a few cases, loans, for secondary pupils, realising that this is a necessary condition for equality of opportunity at the higher levels.

For example, in Canada, the Department of University Affairs in the State of Ontario recently reported that it had:

> "during the experience gained in administering the Ontario Student Assistance Program, moved rather steadily to the position that if equality of educational opportunity is to be attained in this Province, student awards in themselves will not provide the solution. Rather it seems to us, more energy and resources must be devoted to improving opportunity at both the elementary and secondary level"(2).

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(1) B. Lemennicier. Direct and Indirect effects of in-cash versus in-kind payments on the labelling of individuals: the French higher education case, Paris, CREDOC, 1976.

(2) Quoted in OECD Educational Policy and Planning in Canada, Vol. IV, OECD, Paris, 1975, p. 126.

This can, of course, be interpreted in many ways, and many different policies, such as compensatory education for the disadvantaged, can be justified on these grounds. But in several countries now it is recognised that the loss of earnings and the costs of maintaining a 16 to 18 year old may create a financial barrier for poor families every bit as daunting as the costs of higher education itself, so that one way of promoting equality of opportunity is by giving financial assistance to secondary school pupils. For example, in Germany the system of student aid, set up in 1971, establishes a legal right to financial support for upper secondary pupils, as well as for students in higher education. The number of pupils and students receiving aid is roughly the same, although the level of aid is lower for secondary pupils, so that about one third of total government aid is devoted to secondary pupils. Nevertheless, it is significant that when, in 1975, cuts in the student aid budget were announced, the amount going to secondary school pupils remained constant, while there were some cuts in aid for students in higher education.

However, several countries still concentrate most of their student aid funds at the post secondary level, which according to one economist is like locking the stable door after the horse has bolted. Blaug argued, in a discussion of student aid policy in Britain:

> "A policy designed to equalise educational opportunity should start with maintenance grants in fifth and sixth forms and end with financial aid after entry into higher education. No one would pretend that this would wipe out all the disadvantages of working class children, since much of the damage is already done by the age of 15. But as one of the principal reasons for early leaving is low parental income, there can be no doubt that sixth form scholarships or generous maintenance allowances for secondary school pupils would significantly alter the social class characteristics of entrants into higher education .... Unwilling to face up to the costs of

> true equality, we have instead created a system in which education between 15 and 18 is effectively distributed in accordance with the purchasing power of parents – the absence of fees still leaves parents paying indirectly for two-thirds of the total costs of secondary education – after which we award those who have survived the race with an average of £300 per year .... Surely if we are going to make use of student aid to equalise educational opportunities .... we ought to reduce public subsidies in higher education and apply the funds released thereby to subsidise upper secondary education(1)".

The present distribution of resources in the United Kingdom, like that of many other countries, is certainly vulnerable to Blaug's criticism. In 1972-73, the proportion of student aid expenditure devoted to maintenance awards for secondary school pupils was 1 per cent. Even if expenditure on assistance for board, lodging and clothing is added, it still amounts to only 4 per cent. However, this is somewhat misleading, since families with children under 19 who are still in full time education receive certain social security benefits and tax allowances which are intended to help towards the child's maintenance costs, but which are not counted in the student aid budget.

At present the government is considering a proposal to increase the amount and availability of educational maintenance allowances for the 16-18 age group, but is insisting that the question should be viewed in the general context of social benefits, rather than the more narrow one of financial assistance for students and pupils(2). It was pointed out, in a recent

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(1) M. Blaug, *An Introduction to the Economics of Education* London. *Allen Lane, The Penguin Press.* 1970, p. 295-7. *Note:* Since this was written, the school leaving age has *been* raised from 15 to 16.

(2) See Third Report from the Expenditure Committee, *Educational Maintenance Allowances in the 16-18 Years Age Group.* HMSO, *London,* 1974; and the *report of the Parliamentary* Debate on this subject in July 1975: Hansard; House of Commons Official Report, Volume 895, No. 156, 10th July, 1975.

Parliamentary debate on the subject that there is still a good deal of confusion about the main purpose of a system of financial support for secondary school pupils:

> "Are we discussing basic family support, or some substitute for the wage which young people might otherwise have been earning, or, in a more general educational sense, some kind of additional incentive to encourage them to remain in full-time education?."(1)

Because of this confusion, which is not confined to Britain, but is common to most of the countries under review, it is often difficult to compile a comprehensive picture of financial assistance to pupils in upper secondary education because of the multiplicity of programmes, some of which are regarded as student aid, and others as social security programmes or elements in the tax structure. Therefore, in the descriptions in Part II of this paper, of student aid policies in each country, social security payments and tax allowances will be included, wherever possible, as well as direct and indirect aid to students in higher education and pupils in post compulsory secondary education.

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(1) From a speech by Under-Secretary of State for Education and Science, 10th July, 1975, reported by Hansard, op.cit. p. 795.

II. SUMMARY OF STUDENT AID PROVISIONS IN TEN OECD COUNTRIES

This section of the paper provides a detailed summary of the student aid programmes in each of the ten countries. The statistics relate, in each case, to the latest year for which published statistics were available, usually 1974-5, but in a few cases, later or earlier years have been used. Regulations and levels of aid change frequently; as far as possible, the information about student aid regulations relates to 1976, unless otherwise stated. Wherever possible, information is provided on the following characteristics of the student aid programmes:

(i) Type and purpose of aid

Is publicly funded financial aid provided for students in higher education in the form of grants or scholarships, repayable loans, payment for specially provided employment, or government guarantees and interest subsidies for private loans? What are the main objectives of the scheme, as defined in official sources? What aid is provided from private sources?

(ii) Proportion of students receiving aid

What percentage of students receive aid at each level or type of education?

(iii) Administration of aid

Is publicly financed student aid administered by central or local government agencies, independent agencies or banks, or educational institutions?

(iv) Level of aid

What is the total expenditure on aid, the maximum value per student and the average award per student?

(v) Eligibility of students for financial assistance

Is eligibility determined by academic ability, financial means or age?

(vi) Tuition fees

What is the average level of tuition fee paid by students, and what proportion is covered by financial aid?

(vii) Conditions of student aid

If aid is provided in the form of loans what are the repayment conditions? Are there any special conditions, either for loans or grants, for specific categories of student?

(viii) Financial aid for secondary school pupils

What type and level of assistance is provided for pupils in post-compulsory secondary education?

(ix) Other forms of financial assistance and sources of income for students or their families

What forms of indirect aid are available for students, and general financial assistance, by means of social security payments or tax allowances? What are the other sources of income for students?

(x) Evaluation of student aid programmes and proposals for change

What assessments have been carried out by government or independent researchers of the effectiveness and the implications of methods of assisting students, and what proposals have been made for changing or modifying the system?

Throughout this section figures are given in terms of national currencies, but a summary table is provided at the end, which gives figures in terms of $US for the sake of comparability. However, this summary table inevitably involves some over-simplification, for the sake of brevity. More detailed information is contained in the next sections.

AUSTRALIA

Student aid is provided by both the central government in Australia, and the six State governments. From 1st January, 1974 the Australian Government abolished tuition fees and certain other compulsory fees at most post-secondary institutions, and assumed full financial responsibility for universities and colleges of advanced education. In 1974 the Australian Government introduced the Tertiary Education Assistance Scheme (TEAS), which together with programmes for assisting trainee teachers, organised by the six State governments, and a scheme for post-graduate awards, constitutes the main source of financial aid for students in post-secondary education. The TEAS replaces a number of competitive schemes, available before 1974. Certain States are now reducing their expenditure on teacher-training schemes and students who receive State government scholarships may often apply for TEAS assistance in addition to their other award.

(i) Type and purpose of aid

The purpose of TEAS is to facilitate access to courses of tertiary and post-secondary education, particularly of students who might otherwise be excluded by financial need. The scheme is not designed to meet any specific manpower needs. On the other hand, State Government teacher-training schemes serve as a means of recruitment to the teaching profession. All major Australian Government programmes at the tertiary and post-graduate level provide aid by means of grants. These include living allowances, dependants' allowances and other allowances for the cost of books, equipment and student union fees and travel. Similar allowances are provided under the various teacher-training schemes organised by the States; one State also operates a small loan scheme.

There are a wide variety of private schemes, organised by banks, foundations, employers, etc. The Australian Public Service, and private employers, offer to employees (or future employees) a range of cadetships or paid educational leave to enable them to undertake full-time study. Some of the schemes carry conditions such as a "bonding arrangement" but most of them do not. In addition, many institutions have some funds available (derived either from private sources, or from general revenue from the Australian Government) for grants or loans, and some banks offer loans to students at commercial rates of interest.

(ii) Proportion of students receiving aid

A total of 58 per cent of full-time students in universities and 76 per cent of full-time students in other higher education received government assistance in 1975. The distribution was as follows:

university students assisted under TEAS	38 per cent
university students assisted under State government teacher-training programmes	18 per cent
students in colleges of advanced education assisted under TEAS	29 per cent
students in colleges of advanced education assisted under State government teacher-training programmes	43 per cent
students assisted under both TEAS and State government teacher-training schemes	6 per cent

(iii) Administration of aid

The government schemes are administered by central government departments, and universities administer some scholarship programmes financed from their general recurrent funds.

(iv) Level of aid

Major government schemes involved a total expenditure of Aus.$155 million in 1974-75, of which TEAS accounted for almost 40 per cent and State government teacher-training awards for 56 per cent. This provided an average grant, per student receiving aid, of Aus.$1,405. The level of aid for a particular student varies according to factors such as age, marital status, year of study, whether he is financially dependent on his parents or not, and whether he is living at home or away from home.

Under TEAS the maximum living allowance for students dependent on their parents was Aus.$1,000 (at home) and Aus.$1,600 (away from home). For independent or married students, the maximum allowance was Aus.$1,600. Married students with a dependent spouse and child received about Aus.$2,500.

Under State Government teacher-training programmes involving bonded scholarships (see (vii) below), the maximum living allowance for financially dependent students varied according to year of study and averaged from Aus.$1,200 to Aus.$2,200 for students living at home and from Aus.$1,900 to Aus.$2,600 for students living away from home. For a married student with one dependent child, the average maximum allowance was Aus.$3,510. A maximum allowance of Aus.$600 was payable under unbonded teacher training awards offered by State Governments.

(v) Eligibility of students for financial assistance

The TEAS is non-competitive but means-tested; it replaces a number of government scholarship schemes which were competitive. All State Government schemes for trainee teachers are still competitive. Awards are granted on the basis of academic ability, but are not dependent on financial means. Although three of the States are now providing unbonded awards under which the students may also apply for TEAS, selection for these awards is still on the basis of academic ability.

The living allowances provided under the TEAS are all means-tested and the income of the students' parents taken into account, as well as that of the student himself, or his spouse, if married. About 75 per cent of all students benefitting under the scheme are means-tested on parental income, and in 1974, 60 per cent of all students who were classified as financially dependent received less than the maximum award, on grounds of the means test.

In some cases State governments operate age limits for teacher traineeships which would make it impossible for an older student to obtain a scholarship (the limits vary from 40 to 50) but the Australian Government schemes do not take a student's age into account when determining eligibility.

(vi) Tuition fees

All tuition fees were abolished in 1974 in universities and colleges of advanced education(1). Students enrolled in approved courses at institutions of higher study where fees are still payable receive Australian Government assistance with their fees; they may also receive assistance under TEAS, subject to normal eligibility requirements.

(vii) Conditions of student aid

Before 1974, all students taking up an award for teacher-training from a State Government were required to enter into a bond to serve as a teacher in that State for a period of one to four years. Since 1974 several States have offered both bonded and unbonded awards; those carrying an obligation for future work are of a higher value than the unbonded, but students holding the latter awards are also eligible for a living allowance under the TEAS, subject to the normal means test provisions.

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(1) It has been estimated that the net cost of this was Aus.$12 to $15 million. N.J. Thomson, Loans for Australian Tertiary Students. Australian Government Publishing Service, Canberra, 1974.

Certain special categories of student receive higher value awards or special allowances, in particular married students, students over 25, and Aboriginal students. A few students may receive assistance towards the cost of correspondence study, in particular Aboriginal students and some serving teachers.

(viii) Financial aid for secondary school pupils

The Australian Government offers grants, most of which are means-tested to pupils in the final two years of secondary education, and most States offer some assistance particularly towards the cost of books, or if pupils are required to board because of the remoteness of their home. In 1975 about 20 per cent of pupils in the final two years of secondary schooling received allowances under Australian Government Schemes. These include schemes designed to assist students from low-income families, students who live in isolated areas and Aboriginal students. Total expenditure by the Australian Government on student aid at the secondary level amounted to 17 per cent of the expenditure on allowances for students in higher education.

(ix) Other forms of financial assistance and sources of income for students or their families

A certain amount of indirect aid is provided by the Australian Government for students in higher education, in the form of subsidies for residential accommodation and welfare expenditure. It is estimated that in 1975 expenditure on these subsidies amounted to about seven per cent of expenditure by the Australian Government on direct student aid. Those students who receive an award under TEAS and most teacher trainees with State awards do have assistance with travel expenses, and concessional daily travel is available to full-time students on Government operated rail and bus services.

There are two main forms of subsidy for the families of students who are financially dependent, namely a student endowment allowance of Aus.$72 in 1975 and income tax deductions for maintaining a dependent child (maximum Aus.$260) and paying education expenses (maximum Aus.$150). This means that if a student is financially dependent on his parents he will receive a smaller allowance, under the TEAS and most State teacher-training programmes, than a financially independent student, but his parents will receive income tax relief and the endowment allowance to compensate for this. Pensioners who have dependent student children are entitled to an additional allowance (Aus.$390 per annum in 1975).

Students who are financially independent and/or married are entitled to the maximum allowances payable under the major Government student assistance programmes, subject to normal means test provisions in the case of TEAS. Allowances paid under bonded awards are subject to income tax, but allowances provided under unbonded awards are tax-free. A student's income from employment is taxable and students paying income tax may claim a deduction for education expenses. Students are not eligible for unemployment benefits.

Apart from government aid, provided under TEAS, post-graduate award schemes or State schemes for teacher trainees, the main source of income for Australian students is part-time or vacation employment and contributions from parents and private loans. In 1974, a survey of student income and expenditure showed that student aid provided exactly half the income of the average full-time student, his own earnings provided a further 29 per cent and assistance from his family, savings or loans, etc., provided 21 per cent(1).

There were considerable variations between different groups of students. Those with a teacher training award from a State Government had a higher income than students with a TEAS award, and their grant also accounted for a higher proportion of their total income, so they were less dependent on part-time work or their parents. In fact, those with a teacher training award received, on average, nearly 70 per cent of their income from grants, compared with 48 per cent in the case of TEAS students. Students from low-income families received a much higher proportion of their income from grants than those in the upper-income groups. Among students with a TEAS award, those from the lowest income category derived 60 per cent of their income from grants, compared with upper income groups who received only 26 to 33 per cent(1). A fairly frequent cause of complaint among students who are classified as financially dependent upon their parents is that they are unable or unwilling to receive as much financial help from their parents as they need, to meet their full living costs. This means that they were dependent on employment or loans to supplement their income. In addition 11 per cent of all full-time students said that they had received loans from their parents, as opposed to straightforward cash assistance, but only four per cent had received loans from banks, etc.

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(1) Income and Expenditure Patterns of Australian Tertiary Students in 1974, op. cit.

About one-third of all students in higher education in Australia study part-time, and when asked why they chose to study part-time, more than half gave financial factors, or the desire to keep a job, as the main reason for part-time study; this is almost certainly related to the fact that part-time students are more likely to be older, married and male than full-time students, and therefore, to have a higher level of expenditure than the average student.

(x) Evaluation of student aid programmes and proposals for change

The Tertiary Education Assistance Scheme was introduced in 1974, so that no major evaluation has yet been possible, but a committee was appointed to review its progress in 1975, in view of the fact that only a short time had been available to plan the scheme.

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(1) Ibid.

The Committee believed that despite certain problems, in its first year, the scheme had achieved "very substantial progress" in student assistance, and that it was clearly a significant advance on the previous, competitive schemes. The main areas of criticism encountered by the Committee were that the living allowances were too low, that the means test was inequitable and that the special needs of certain students were not adequately met. However, on this latter point, the review comments: "It almost seemed that if one set one's mind to it an argument for special consideration could be made for almost any group, to the extent that the committee could see no way in which it could equitably adjudicate between all the various claims"(1). Therefore, they took the view that as far as possible students should be treated equally, and no special allowances other than dependents' allowances should be given; and that a student's entitlement should contine to be determined by age, financial status, (of the student and/or his family) and place of residence (at home or away from home).

However, the Committee did make two major proposals. The 1974 survey of student income and expenditure showed that the maximum allowance under TEAS amounted to 73 per cent of average student expenditure for students living at home and 65 per cent for students away from home. It is recommended that maximum rates should be increased to cover 80 per cent of actual average expenditure, which it was felt would cover the "basic needs" of students. It was also recommended that TEAS allowances should be adjusted twice a year on the basis of movements in a suggested Student Allowance Adjustment Index related to relevant components of the Consumer Price Index. The Committee expressed the view that reviews of student expenditure should be carried out to assist in the progressive refinement of the index. The Committee also recommended that the government should consider a low interest loan scheme to supplement the TEAS grants. This would be an addition to the grants scheme, and should in no way compromise the operation of the grants scheme, but should be for the purpose of "providing greater flexibility in the availability of finance to students according to their individual needs for purposes reasonably associated with their studies though not considered to warrant public support and therefore lying outside the provisions of the grants scheme"(1). In other words, students would have a greater degree of choice regarding their standard of living and level of expenditure than at present(2).

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(1) Report of the Committee for the Review of the Tertiary Education Assistance Scheme, May 1975, p.27.

The other major proposal is for a relaxation of the parental means test, to allow greater variation according to the age of the student. This proposal rests on the belief that "it is reasonable to provide for financial independence as a progressive process .... there should be an expectation of decreasing parental responsibility for the financial support of the tertiary student as the student grows older"(3). Under the Committee's proposal, an age adjustment would be made when the parental means test is applied to students aged 19 to 24; the effect of this age adjustment would be that the level of student aid would become progressively less dependent on parental income, until, by the age of 25, students would be treated as fully independent. In no case would a student receive more than the maximum allowance currently available, but older students could in some instances receive significantly more than they do under existing provisions.

This proposal provides a fairly novel method of solving the problem of the age at which students should be financially independent. This is regarded as a problem in several of the countries under review, but the Australian proposal would be an unusual method of dealing with it. The other respect in which the pattern of student aid is unusual in Australia is the more favourable treatment of trainee teachers combined, in many cases with a requirement for a commitment on future employment, which is a characteristic now abandoned in some other countries such as the United States and the United Kingdom. In fact some State Governments in Australia are now moving away from this feature of student aid policy by making unbonded as well as bonded awards available. Students who accept unbonded awards may also apply for TEAS assistance. More recently, the Australian Government announced, in August 1976, an "urgent investigation into the adequacy of existing rates of benefit" (under the whole range of government assistance schemes for students) and "the possible rationalisation of the schemes". This investigation was commissioned because "it is not clear .... that existing schemes are the most cost-effective, in terms of directing the substantial sums involved to the most needy and deserving students"(1).

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(1) Ibid.

(2) The Committee did not recommend any particular type of loan scheme, but an Australian study of the economic implications of alternative types of loan gives some strong arguments in favour of an income contingent scheme. See N.J. Thomson, Economics of Student Loans; Australian Advisory Committee on Research and Development in Education, Canberra, 1974; and N.J. Thomson, Loans for Australian Tertiary Students, op. cit.

(3) Report of the Committee on T.E.A.S. op. cit., p.30.

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(1) Budget Speech of the Australian Treasurer, 17th August, 1976.

CANADA

In Canada financial responsibility for higher education is shared between the Federal government and the provincial governments, and student aid is also provided by both the Federal and provincial governments. Thus, there is a wide variety of student aid schemes in Canada, and this summary will concentrate on financial assistance provided by the Federal government and by way of illustration, one provincial government, namely the Province of Ontario. At both the Federal and provincial level, student aid, on a significant scale, has been provided only since the mid-1960s. In 1964 the Federal government established the Canada Student Loans Plan and many provincial governments began to develop scholarship, bursary and loan programmes about the same time. In Ontario, the Student Assistance Programme (OSAP) dates from 1966.

(i) Type and purpose of aid

At the time the main student aid programmes were established, there was a widespread feeling that talented young people were unable to pursue higher education because of shortage of money, and the main purpose of the programmes was therefore to ensure that able people were not prevented from completing their education by financial hardship. The emphasis is on removing barriers, rather than providing positive financial incentives to study. The stated purpose of the Ontario programme is "to ensure that every person with the ability and desire to pursue a programme of education beyond the secondary school level will have sufficient funds to meet the costs of such an undertaking"(1).

This desire to remove financial barriers is combined with a belief that students and/or their families should bear some of the costs. Therefore there is a greater emphasis on loans as a source of finance than in some countries. The purpose of the

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(1) See Educational Policy and Planning in Canada, Vol. IV., OECD, Paris, 1975, p. 125.

Canada Student Loans Plan (CSLP) is to provide loan assistance towards meeting the cost of full-time studies at the post-secondary level of education as a supplement to other resources available to students from their families, their own efforts and other student awards, so that all qualified students can have the opportunity to fulfill their educational potential. The CSLP is financed by the Federal Government and administered by the provincial education authorities. In addition Federal government departments have a wide range of scholarship and grant programmes for particular categories of education and special areas of study. The main programme is the Canada Manpower Training Programme, operated by the Department of Manpower and Immigration, which provides training allowances for those undergoing full-time training. These allowances are not repayable.

The Ontario Student Assistant Programme is a combination loan and grant scheme run in conjunction with the Canada Student Loans Plan; the loan portion of the aid is provided under the Federal scheme, and the first Can.$1,000 of any award is normally in the form of a loan. After the first Can.$1,000, additional aid is given as a grant, the effect of which is "to reduce by the amount of the grant, the sum the student would have had to borrow"(1). Of the total amount administered by OSAP in 1973-4, approximately 40 per cent was in the form of grants. When the scheme was first introduced the reduction of the level of students' debts was one of the main objectives of OSAP. The Minister of University Affairs of Ontario announced that the scheme had been approved, "on the understanding that it would apply equally to all full-time Ontario post-secondary students, that assistance would be provided according to assessed need, and that the total indebtedness of individual students would be limited by supplementing loans with grants"(2).

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(1) Ibid, p. 125.

(2) Ibid, p. 123.

The Ontario programme is fairly generous compared with some other provincial government schemes. Other provincial governments also operate combined grant and loan schemes, but the actual details of the schemes vary, and in several provinces the proportion of loans is higher than in Ontario. A few provinces, (e.g. Alberta) give only loans.

(ii) Proportion of students receiving aid

In 1973 the total number of loans under the Canada Student Loans Plan was 122,000 which represented less than a quarter of all post-secondary enrolments. In Ontario it was estimated in 1969 that about 40 per cent of all post-secondary students received some aid(1). These proportions are significantly lower than some other countries included in this survey.

(iii) Administration of aid

The general administration of the Canada Student Loans Plan, as well as the administration of the provincial programmes, is in the hands of the provincial governments. In many cases the governments appoint Awards Officers at institutions of higher education, who are responsible for calculating students' eligibility, supervising repayment, etc. The actual loan funds are provided by commercial banks, on the basis of certificates of eligibility provided by the Awards Officers.

(iv) Level of aid

In 1975-76 the Canada Student Loans Plan provided loans worth Can.$157 million, in total, for 153,419 students. In December 1976, the total value of all loans outstanding under the Plan was Can.$617 million.

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(1) G.C.A. Cook, D.A. Stager, Student Financial Assistance Programs - With Special Reference to the Province of Ontario. University of Toronto, 1969.

In addition, the Federal government provided Can.$41 million in research fellowships and scholarships for post-secondary students and Can.$318 million was spent on training allowances for adults.

When the Canada Student Loans Plan was first introduced in 1964, the maximum amount a student could borrow was Can.$1,000 a year, up to a maximum of Can.$5,000. In 1972 the average loan was about Can.$820 per borrower, but it was felt that the maximum was too low, partly because of cost increases since 1964, and partly because of the special needs of students in long courses of study, such as medicine or law. The maximum limits were therefore raised to Can.$1,800 a year and a total borrowing of Can.$9,800. In general the schemes make no distinction between undergraduate and post-graduate students, or between different types of course, although differences in costs may be taken into account, when calculating the amount a student receives. The Ontario Student Assistance programme provided a total of Can.$35 million in grants and loans in 1973-4. More than 60 per cent of this consisted of loans.

(v) Eligibility of students for financial assistance

The federal and many of the provincial schemes are based on the criterion of financial need and are therefore means-tested. Both the eligibility of students for loans and the amount they can borrow is determined by their own and their parents' income, and in Ontario family assets (such as the value of a car) are taken into account, as well as current income. The schemes also make assumptions about the expected level of summer earnings of students, and reduce the value of award accordingly. It is worth emphasizing that the students' own contribution in the form of vacation earnings is estimated in terms of an assumed value of earnings, rather than actual earnings; this is a frequent source of complaint among students. In 1969 the average award from the OSAP varied from Can.$140 for a student with a family income of over Can.$12,000 to over Can.$1,000 for a student with a family income of under Can.$4,000.

In the case of married students, those over 25, or those who have been enrolled in higher education for four years or more, the student is classified as financially independent, and therefore no account is taken of parental income. In Ontario, this means that independent students tend to get higher value awards, even comparing single independent students with the poorest dependent students. When asked to assess the adequacy of student aid in 1969 most student award officers in Ontario commented that financially independent students and those from the lowest income groups tended to receive adequate assistance, but that students from families in the middle income group often received "less than they required, because their parents were unable to make the contribution that was assumed in the assessment table"(1).

(vi) Tuition fees

Canadian colleges and universities do charge tuition fees; in 1973 fees accounted for about 10 per cent of the total income of all Canadian institutions of post-secondary education, and a very slightly higher proportion of total income in Ontario. In 1965-66 the average tuition fee in Ontario universities was Can.$600, which was also the maximum amount a student was allowed to borrow, under the terms of the OSAP. The maximum award (grant plus loan) for students from the lowest income group, or those who were financially independent of their parents, was rather over Can.$1,000, but the average direct costs of tuition and residence together amounted to Can.$1,545, and earnings foregone to Can.$1,970, so it is quite clear that even a student with the maximum award would have to find additional funds. In fact one study estimated that in 1965 the average contribution by students or their families to the costs of their education was 55 per cent, of which about 22 per cent was in the form of fees(2). If the maximum amount of student aid available under the OSAP is deducted from the figure for student direct and indirect costs, this still leaves the student contributing almost a third of the total cost, and since many students receive less than the maximum aid, their contribution is correspondingly greater.

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(1) Cook and Stager, op. cit., p. 76.

(2) Cook and Stager, op. cit.

(vii) Conditions of student aid

One of the main principles of the Canadian loan schemes is that all full-time students should be treated equally, except insofar as their financial resources or status differ. So there are no special conditions for particular groups of students. However, one group of students are excluded from the Canada Student Loans Plan, namely part-time students, and the Ontario government has therefore, since 1973, widened its aid programmes to include part-time students in order to assist part-time students who experience financial difficulty in paying fees and to encourage the entry of more part-time students to post-secondary education.

Under the Canada Student Loans Plan, banks lending money to students have a guarantee from the Federal government which also pays interest on the loan during the period of study, and for six months afterwards. After this six-month period, the student must begin to repay this loan and must complete repayment within ten years, if the maximum debt has been incurred, or within a shorter period, if the debt is smaller. At the inception of the scheme, students were charged a fixed rate of interest of 5 3/4 per cent. This was later changed and a rate of interest which varied with the market rate was introduced, although it is still below the market rate. In 1968-69 the interest charged on outstanding loans was 8 1/8 per cent, but when questioned, in that year, student award officers in Ontario said that students were not concerned by this increase in interest rate(1).

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(1) Ibid.

(viii) Financial aid for secondary school pupils

Before 1973, the Federal government provided family allowances for families with a dependent child between 16 and 18 still in full-time education. These were regarded as providing encouragement for pupils to remain in school. However, since 1973 the regulations have been changed, and under the Family Allowances Act of 1973 a family allowance of Can.$20 a month is paid for every child and there is no longer any requirement that he should be in full-time education. The former scheme, which did provide a financial incentive for pupils to remain at school has therefore been replaced by a completely general system of family support, and although the Secretary of State has commented that, "clearly the Act assists parents to keep more of their children in school longer"(1), it does not provide any financial incentive to do so, since all children benefit, regardless of whether they are in school or not.

(ix) Other forms of financial assistance and sources of income for students or their families

The Federal government makes a further contribution to the public subsidy of students and their families by means of income tax reductions, since a student may deduct from his income, for tax purposes, any educational fees paid, regardless of whether he paid them himself, or they were paid by some other person, and in addition, an education deduction of Can.$50 may be made from income for each month in which a student was in full-time education. In 1972-73 these income tax reductions meant a loss of tax revenue of Can.$84 million which was not very much less than the total amount available under the Canada Student Loans Plan in that year /Can.$100 million/(2).

A survey of student income and expenditure in 1964 found that student aid accounted for 29 per cent of income, students' own earnings and savings amounted to 39 per cent and contributions from parents to 32 per cent(1). Since 1964 the amount of student aid has increased, but the financial contribution made by students and their parents is still considerable, as shown above in the section on tuition fees.

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(1) OECD Educational Policy and Planning in Canada, Vol. II. op. cit., p. 44.

(2) Ibid, p. 43-44.

(x) Evaluation of student aid programmes and proposals for change

There have been a number of criticisms, particularly from students, of the dependence on loans as a means of financing student aid in Canada. For example: "Loans are a deterrent rather than an incentive for students in the lower income groups. Heavy dependence on loans forces some students away from long undergraduate courses such as medicine, and away from graduate studies"(2). However, both the Federal and Provincial governments seem deeply committed to the use of loans. The Ministers of Education in the four Western provinces recently commented to OECD:

> "Notwithstanding some student opinion to the contrary, policies predicated on loans as a major feature of student assistance programmes are consistent with Western Canadian attitudes concerning individual responsibility and equity and are therefore likely to continue to be reflected in public policies. It may be significant to note that experience with repayment of loans has been excellent. Philosophical considerations with respect to student assistance in the foreseeable future will focus primarily on the issue of a balance between loans and non-repayable grants which will enable students to participate without incurring an undue burden of future repayments"(3).

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(1) Cook and Stager, op. cit.

(2) Quoted in Cook and Stager, op. cit. p. 69.

(3) Educational Policy and Planning in Canada, op. cit. Vol. VI, p. 107.

However, one proposal for change which has been made is for repayment of student loans to be contingent on the level of income, on the grounds that this would be more equitable than conventional loans, and would act as less of a disincentive to low-income students, since the risks would be less under an income-contingent scheme(1), than under the existing arrangements. A study by the Ontario Department of University Affairs advocates "the evolution of a social contract under which those drawing when young, as students, upon the resources of all the community recognise their specific obligation to replenish, according to their ability, a student assistance fund in the future. In this way, coming generations may, in their turn, benefit from the opportunity of an education without regard to their present resources, or the constraints of income and wealth inherited from their past, and without visiting on those least able to pay, the burden of supporting those best able to pay"(2).

Another recent advocate of income contingent loans in Canada is E.G. West, who also suggests a more radical scheme, namely a graduate tax(3). He argues that both on grounds of efficiency and equity, it would be sensible to use the tax system as a way of recovering part of the costs of higher education. One advantage of such a system would be that it would reduce the problem of defaulters, which has increased sharply in Canada in recent years. The Federal and Provincial governments are at present examining ways of improving the allocation of financial aid for post-secondary studies, taking into consideration the current changing patterns of education.

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(1) This proposal is made by Cook and Stager, op. cit.

(2) From the foreword by A.R. Dobell and R.W. Judy, to Cook and Stager, op. cit.

(3) E.G. West, Student Loans: A Reappraisal ... With Special Reference to Ontario's and Canada's changing needs in Educational Finance. Toronto: Ontario Economic Council Working Paper, 1975.

FRANCE

France is unusual among the countries reviewed here in having a much higher proportion of the total state aid for students provided by means of indirect subsidies, rather than direct payments to students, and also in the much higher proportion of total aid going to secondary school pupils, rather than students in higher education(1). Therefore, comparisons of expenditure on student aid in France and other countries can be misleading if they concentrate only on direct aid, or on aid to students in higher education. A striking feature of the French system is that aid is provided to the student's parents, to a much greater extent than in some other OECD countries, where the financial independence of the student is one of the objectives of student aid policy. This means that in France it is impossible to examine student aid policy in isolation; it is more closely related to general policies of family support and taxation than in several other countries in this review.

(i) Type and purpose of aid

There is a wide variety of forms of aid in France. Direct aid to students and pupils consists of scholarships, loans and "pre-employment contracts" (contracts de préembauche) which are given to trainees who are preparing for particular occupations. This latter category of aid (sometimes called pre-salaries) in most cases involves a commitment to work for a particular period after graduation and is in the nature of a wage payment for future work; it is peculiar to France and was developed in the 1950s as a means of overcoming manpower shortages by attracting students to qualify for particular occupations, such as teaching. These payments are therefore regarded as a means of recruiting scarce manpower and not as means of promoting equality of opportunity or removing financial barriers to access to higher education(1). These payments have declined in importance in recent years, in relation to scholarships. In 1960, "pre-salaries" accounted for 20 per cent of government aid to students, but by 1974 this proportion had fallen to 12 per cent(2). These payments are not always included in estimates of student aid in France, but as the OECD report on education policy in France comments with respect to student teachers receiving pre-employment contracts "The latter are paid and thus not entitled to scholarships but it is probable that most of them would have applied for assistance in the form of scholarships if this new category had not been created"(3).

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(1) The main source of information on student aid in France are:

L'aide aux étudiants en France: faits et critique. CREDOC et IREDU, Paris; 1975.and Secrétariat d'Etat aux Universités, Réflexions sur un nouveau système d'aide aux etudiants. Journées d'études sur le système d'aide aux étudiants. September, 1974.

No English translations of these documents are available, this summary of the French system is very brief, and does not attempt to reproduce the detailed information contained in the French documents.

Some information is available for 1967 in Educational Policy and Planning in France, OECD Paris; 1972.

Loans financed from state funds constitute a small proportion of direct aid to students and commercial banks have recently introduced their own loan schemes for students, mostly on a short-term basis, and charging fairly high rates of interest.

The most important form of direct state aid for students is the provision of scholarships; a small-scale scholarship programme has been in existence since 1925, but it has expanded considerably in recent years.

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(1) F. Orivel, "Origines et Objectifs du Système français d'aide aux étudiants", in L'Aide aux Etudiants en France. op.cit. p.22, suggests that they have had no effect on equality of opportunity.

(2) Ibid, p. 25

(3) Educational Policy and Planning in France, op.cit., p.88.

(ii) Proportion of students receiving aid

It is difficult to say precisely what proportion of students receive some form of financial assistance from the State since so much is provided indirectly in the form of subsidies (payments "in kind" rather than "in cash" as one French study distinguishes the two types of aid)(1). However, the number of students receiving scholarships is only about 13 per cent. If the number of teacher trainees receiving "pre-employment payments" is added, the proportion of students receiving direct payment from the State is higher. In 1966-67, the number of scholarship-holders and student teachers together represented 25 per cent of the total number of students in higher education(2).

(iii) Administration of aid

The scholarship system is very decentralised and the administration of scholarships is the responsibility of universities and other institutions of higher education, although they are financed by central government.

(iv) Level of aid

The total expenditure on scholarships and loans for higher education was Frs. 515 million in 1974-1975. The average scholarship was about Frs. 5,000.

(v) Eligibility of students for financial assistance

The original purpose of government scholarships for higher education was to enable students "who were not well off but showed exceptional merit in their studies", to finance their education, so that the amount offered per scholarship was high enough to meet all the costs of study, but the competition was severe, and they were offered on grounds of academic excellence(1). Since the scholarship system has expanded, the number of scholarships offered has increased, but their average value has declined, and criterion for eligibility is now financial need rather than academic ability. Both the eligibility of students and the amount of aid they receive is now determined by a means test, and it is fairly severe. A study in the University of Dijon showed that half of all applications for scholarships were rejected on the grounds that family income was too high(2). The criterion for wage contracts or "pre-employment payments", on the other hand, is academic ability, combined with future career intentions. These contracts are renewed only if students do well in examinations.

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(1) B. Lemennicier, in CREDOC et IREDU, op. cit. discusses "aides en nature contre les aides en espèces". pp. 62-109.

(2) Educational Policy and Planning in France, op. cit., p.89.

(vi) Tuition fees

Tuition fees have been largely abolished in higher education in France, except for students in private institutions, which in 1970 amounted to four per cent of all students in higher education(3).

(vii) Conditions of student aid

Conditions for the small number of student loans vary according to the type of loan; some are very short term, but do not involve interest payments, in a few cases some publicly financed loans charge five per cent interest. The commercial banks offer loans to students at 9.5 per cent interest, and there is no possibility of postponing repayment in case of unemployment or low income.

The "pre-employment payments" to trainees involve a promise to work, after graduation, in the particular occupation. If a graduate chooses a different occupation, after receiving such a payment, it must be repaid.

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(1) Ibid

(2) CREDOC et IREDU, op. cit., p. 20.

(3) L. Lévy-Garboua, in Educational Expenditure in France, Japan and the United Kingdom, op. cit.

(viii) Financial aid for secondary school pupils

Financial aid to secondary school pupils is provided to a greater proportion of the school population, and involves a greater annual expenditure, than student aid in higher education. In 1970, the grants and scholarships to school pupils cost Frs.887 million, which was approximately twice the level of expenditure for aid to students in higher education, and in fact represented two-thirds of the total government expenditure on direct aid for students and pupils(1). However, a large part of this expenditure was for pupils in compulsory schooling. It has been estimated that in 1968 the proportion of scholarship holders was 63 per cent in secondary technical schools, 42 per cent in the first cycle of general secondary education, 36 per cent at the second cycle and 22 per cent in higher education(2).

(ix) Other forms of financial assistance and sources of income for students or their families

In France, unlike the other OECD countries, indirect aid is more important than direct aid to students in higher education. Indirect aid falls into two categories. The first consists of subsidies for accommodation, meals and medical services for students. Although these payments are not made to students directly, it is students themselves who benefit from these payments. However, the other category of subsidies are made to students' parents. This type of aid is particularly important in France, where public policy regards the student and his family as one entity, for purposes of financial aid.

The subsidies for meals and accommodation for university students amounted to Frs. 389 million in 1975, and in addition the government spent Frs. 86 million on social security payments for students, mainly to provide them with cheap medical treatment. Therefore, these two forms of aid together amounted to Frs.475 million, which was approximately the same as the level of expenditure on scholarships(1).

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(1) L. Lévy-Gerboua, op.cit.

(2) Educational Policy and Planning in France, op.cit., p.89

The two forms of assistance for students' families are firstly, tax relief for parents of students in full-time education and secondly, the payment of family allowances. Tax relief represents a considerable proportion of the total State assistance for students and their families. It has been estimated that in 1974 tax relief amounted to about Frs.800 million and in addition to this, families also received family allowances amounting to Frs.434 million from the "Caisses d'Allocations Familiales". The following table summarises the provision of all forms of direct and indirect aid to students and their families in 1974, and shows what a small proportion of the total is accounted for by direct aid in the form of grants and scholarships for students:

TABLE 1
FRANCE
Summary of all forms of Public Aid for Students and their Families, 1974, (expressed in 1975 prices)

	Million francs	% of total
Scholarships and student grants	564	23
Other subsidies to students	653	27
Tax relief to parents	800	32
Family allowances	434	18
Total	2,451	100

Source: F. Orivel, op. cit., p.30

This estimate suggests that the total State aid for higher education amounted to about Frs.2,500 million in 1974 and the same study estimated that total student expenditure was about Frs.10,000 million in the same year, which would mean that all forms of State aid together accounted for only a quarter of students expenditure.

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(1) CREDOC et IREDU, op. cit.

(x) Evaluation of student aid programmes and proposals for change

The system of student aid has expanded considerably in recent years and in particular the number of scholarships was increased after the student disturbances of 1968. However, there have recently been a number of criticisms and evaluations of the policy which have suggested changes. What these evaluations show very clearly is that student aid policy in France, even more than in some other countries, is based on a variety of different objectives, which means choice between different types of aid should be made in terms of the objectives they are designed to serve. In practice this is very difficult because there are so many different objectives and no general agreement about the priority to be given to each one.

For example, the scholarship programme is largely designed to equalise opportunities, whereas "pre-employment contracts" are designed to recruit particular categories of manpower, and therefore have a mainly economic objective, rather than a social one. A Ministry of Education survey suggests that the social class distribution of contract-holders is the same as that of the entire student population, so this form of aid has had no effect on promoting equality of opportunity(1). The purpose of direct aid to students is to ensure an adequate supply of trained manpower and also to encourage more equal participation by low-income students, but the purpose of family allowances for student's families was originally unrelated to educational policy as such, but was part of a general programme of family support designed to encourage population growth by ensuring that the costs of education did not discourage parents from having large families.

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(1) F. Orivel, op.cit.,

The result of this very mixed pattern of aid in France is that it is difficult to estimate how effective it has been. Some criticisms have recently been made by CREDOC and IREDU(1) that the present system is very largely regressive, and provides most benefit to those with highest incomes, particularly because of the importance of tax relief to parents(2). Another study of the equity implications of French educational expenditure concludes that financial aid to students and pupils has had little effect on the "democratisation" of education(3).

Another study of the relative efficiency of money payments to students (in the form of scholarships, etc.), versus payments in kind (by means of subsidies for meals and lodging, etc.), concludes that money payments to students (which, incidentally, are more popular with students), have less effect on demand for education than subsidies, but that State meals subsidies, although having a considerable effect on demand for education have much less effect on the probability that a student will pass his final examination, than subsidies for housing(4).

Thus, the choice between different methods of aid for students depends on whether the government is trying to increase access to education, or to improve the efficiency of time and resources devoted to higher education, or to reduce an excess supply of graduates. Unfortunately, the author of the French study believes that "policy makers implement in-kind and in-cash subsidies not for efficiency or equity goals, but for maximising short run votes"(1). However, since there is an excess supply of graduates at present, in France, combined with a government commitment to the policy of open access to universities, the author of the CREDOC study believes that there should be a reallocation of expenditure in favour of in-kind subsidies, even though standard economic arguments are generally in favour of money subsidies. This proposal emphasizes very clearly that any change in student aid policy must be preceded by a very clear appraisal of the objectives of that policy. This is by no means always achieved.

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(1) CREDOC: Centre de Recherches et de Documentation sur la Consommation.

IREDU: Institut de Recherche en Economie de l'Education.

(2) F. Orivel, op. cit.,

(3) L. Lévy-Garboua, "La justice distributive de l'école", Consommation: Annales du CREDOC, No. 2, 1975.

(4) B. Lemennicier, "Direct and Indirect Effects of in-cash versus in-kind payments on the labelling of individuals: the French higher education case". Paris: CREDOC, 1976, Mimeo. This is an English summary of a paper by the same author in CREDOC et IREDU, op. cit.

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(1) Lemennicier, op. cit., p. 22.

GERMANY

The Constitution of the Federal Republic of Germany specifies that individuals have a basic right to free choice of educational institution, and therefore the student aid system has developed to reduce inequality of opportunity in upper secondary and higher education. Although the provision and financing of education is the responsibility of the Länder, the Federal government has become increasingly involved in financing higher education and student aid. In 1969, legislation on financial aid to students was put into the Constitution as a specific Federal competence. On the basis of that, a new system of aid was established in 1971 under the Federal Education Support Bill (Bundesausbildungs-förderungsgesetz - BAföG) which replaced the old Honnef-Modell scheme established in the 1950s, with a more generous scheme of support for upper secondary pupils as well as students in higher education, jointly financed by the Federal government and the Länder, with the Federal government supplying 65 per cent of the funds.

(i) Type and purpose of aid

The BAföG system provides support for living expenses, and incidental study costs (such as essential equipment). There is a set of maintenance allowances for each level of education which constitute the maximum support available for students, according to their type of education, and place of residence. Whether and to what extent the student may claim that allowance from public funds under BAföG depends on whether he can provide the full amount from his own income, that of his spouse, or that of his parents (in that order). In higher education, the monthly maintenance allowance in 1974/75 was DM.410 for students living with their parents, DM.500 for students living away from home. Of the public support, the first DM.70/80 (living with parents/away from home) is given in the form of a long-term, interest-free loan. Therefore, if a student is entitled to the maximum support, he will receive about 16 to 20 per cent of it in the form of a loan; if his total support is reduced on grounds of income, the loan element in the support will be higher. In certain cases, for special categories of students, all support may be in the form of a loan, for example if a student changes his course of study, after already receiving support for part of a course, or if he takes a second qualification after receiving support for another(1). In certain circumstances also, a student may receive a loan if his parents refuse to give him any financial support, though judged able to do so. This provision was used by some students, at the beginning of the scheme, to enable them to obtain low-interest loans, so that this possibility was eliminated in 1976.

All full-time education from grade 11 qualifies for financial support. In addition, if a certain type of education can only be obtained by living away from home, support is given to pupils above grade 10. Some Länder have their own schemes which virtually extend the BAföG support to grade 10 for all pupils. Apprentices in the "dual system" (practical training plus part-time school, i.e. about 50 per cent of the 16-18 age group) are not covered by the BAföG scheme. In most trades, they receive apprenticeship pay from employers which is above the BAföG rate; if the apprentice wage is below a certain limit, they are, in some cases, eligible for social insurance funds under the Labour Promotion Bill.

(ii) Proportion of students receiving aid

In 1974-1975 about 45 per cent of all students in higher education received BAföG support. The percentage has increased since the scheme was established in 1971; this is partly because students and parents have become more aware of their eligibility, and partly because there has been an increase in the proportion of students coming from low-income families.

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(1) In Germany a considerable proportion of students - estimates go up to 30 per cent for certain fields - do change courses, often after several years, so this is quite an important provision. In many cases students have changed courses in order to enter a course operating a "numerus clausus" (e.g. medicine) and previously entered an "open" faculty, simply to gain "additional points". This system was also modified in 1976.

(iii) Administration of aid

The BAföG system was established by Federal legislation, but is administered by the eleven states, or Länder, of the Federal Republic, through municipal offices for secondary education and through special offices of the student unions, which act on behalf of the university administration, in higher education. At each university, there is a committee that consists of students and teachers as well as members of the BAföG office. These committees have a certain amount of discretion on such questions as whether a change of course is justified. In addition, there is an Advisory Council on BAföG which serves the Federal Government, and includes representatives of employers, students and teachers, as well as state and municipal government officials. Therefore, there is considerably wider participation by students and teachers in the administration of the scheme than in some other countries.

(iv) Level of aid

The total expenditure on BAföG support has risen very rapidly from DM.1,600 million in 1972 to 2,800 million in 1975, an increase of 75 per cent in only three years. This represents an average of about DM.2,850 a year for each student receiving aid. However, this total includes aid to secondary school pupils as well as students in higher education. The maximum amount normally payable to pupils in secondary school is DM.2,400 a year, for university students living at home it is DM.4,920 and for those living away from home it is DM.6,000. In certain cases, additional payments are made for boarding costs or expensive apparatus, etc. The actual amount payable to students varies considerably, according to the level of family income. For example, a student whose father's net income in 1973 was DM.1,020 a month would receive, in 1975, a monthly allowance of DM.500, but a student from a family with a monthly income of DM.2,999 would receive only DM.165 a month. In 1974-75 about 30 per cent of students in higher education who received support received the full rate, and the remaining 70 per cent received reduced rates on grounds of family income.

(v) Eligibility of students for financial assistance

A student's entitlement to BAföG support is dependent on his own and his parents' income (and that of his spouse, if married; even if students are married, parental income is still taken into account). In order to reduce the administrative difficulty of calculating the parents' net income, the amount of support due to a student is based on the parents' income two years before, so that income tax assessments can be used as a basis for the calculation. This has given rise to a number of problems, when the income of the parents fluctuates from year to year. The effects of steep inflation have made this problem worse, since families may now have an income lower, in real terms, than two years ago, in which case the level of support may not accurately reflect the current financial situation of students. This has resulted in considerable criticism and complaints.

There is an age limit for students of 35; older students are not eligible, except for exceptional reasons. If a student has been financially independent for some time before entering higher education the parental means test is relaxed. Students do not have to satisfy any academic criterion for aid, but if they prolong their study, by postponing taking an examination, or repeating part of a course, they lose their entitlement, since there is a maximum period of support laid down for each type of course. If students prolong their studies by repeating or changing disciplines, further support will only be given to those who have "valid reasons" and it will consist entirely of a loan.

(vi) Tuition fees

All tuition fees have been abolished in Germany, first at the secondary level and more recently in higher education. The last remaining fees in higher education were abolished in 1970. Recently there have been some proposals for the re-introduction of some fees, on the grounds that the present system of public financing of higher education makes it a very profitable investment for the individual student and that it would be more equitable to make the richer students contribute something towards their tuition costs. However, at present this is simply a matter for debate.

(vii) Conditions of student aid

The main system of student aid (BAföG) does not differentiate between students except on grounds of family income, place of residence, and type of institution. Apart from these variations all students are treated equally, but there are a few special scholarship programmes for certain categories of student which receive public subsidies, for example, some competitive scholarships are still given which offer higher levels of support for the most gifted students. Some special scholarships have been offered to attract students into particular occupations, notably engineering, medicine, and science and mathematics teaching. Often these funds entailed a promise to work in a particular occupation for some years, or were in the form of a loan.

The loan element in the BAföG system is interest-free and repayment must begin three years after graduation. If a student completes his studies in less than the maximum period of study allowed for his course, under the BAföG regulations, part of the loan is converted to a grant. The level of repayment is partially dependent on a graduate's income and if he is unemployed no repayment is necessary; this also applies to married women graduates.

The length of repayment period varies according to the size of debt, and at present repayment installments are fixed at DM.80 a month. If a student had a loan of DM.960 a year (the normal amount for a student living away from home) for five years, his total debt on graduation would be DM.4,800, which represents roughly 15 to 25 per cent of his annual starting salary, and he would be expected to pay this in five years. But if a graduate had changed his course of study, and received all his support in the form of a loan for the final two years, he might have a debt of DM.16,800, and he would take nearly 18 years to repay it.

When students were permitted to obtain loans if their parents did not support them, they were charged interest at six per cent. Because this interest rate was well below the market rate, these loans were very attractive, and some students took advantage of them even if their parents could have supported them. Now, however, the public authorities will demand a contribution from the parents, and in fact the BAföG office may take the parents to court to obtain payment, in certain cases.

(viii) Financial aid for secondary school pupils

The BAföG system of support applies to pupils in secondary schools in grade 11 and above. The period of compulsory schooling ends at grade 9, so there is one years' gap between the minimum school leaving age and the start of financial support. Some

Länder have extended the system to include pupils in grade 10 and ultimately it is intended to include grade 10 pupils in the main scheme, but no date has been fixed for this. In 1974-75 about 25 per cent of pupils in upper secondary schools received support, and of these, 45 per cent received the maximum level of assistance. Thus, the proportion of pupils receiving assistance was lower at the secondary level than in higher education, but the percentage receiving the maximum aid was higher among secondary pupils.

(ix) Other forms of financial assistance and sources of income for students or their families

Apart from the main system of student aid there are a wide variety of additional forms of subsidy for students or their families. A special programme for post-graduates was introduced at the same time as BAföG, but in 1975 the programme was modified as a result of cuts in public expenditure; post-graduates now receive loans on conditions similar to the BAföG scheme. Indirect aid to students by Federal or State governments, takes the form of subsidised housing, meals and travel facilities, and government contributions on behalf of students, to accident and health insurance schemes. Together these forms of indirect aid amount to about 20 per cent of total expenditure under the BAföG system.

In addition, students' families receive tax relief or additional payments while they are in full-time education. The whole system of payments to families was changed in 1975, and under the new scheme every family, regardless of income, receives monthly allowances for each child which are tax-free and which continue as long as the child is in full-time education. The amount of the child allowances vary; that payable for a third or subsequent child is more than twice the level paid for a first child. The payment for a first child is equivalent to 25 per cent of the BAföG maintenance allowance for secondary school pupils, and 10 to 12 per cent of the allowance for university students; the payment for a second child is higher; for a third, or subsequent child, it is equivalent to 60 per cent of BAföG support at the secondary level and nearly 30 per cent of the level for students in higher education. For many families, therefore, these child allowances may be quite significant as a source of income. In addition, approximately one per cent of total payments under the Federal Social Aid Bill are estimated to go to students, mostly married students, who apply for social aid in addition to BAföG support, because they have dependent children or high housing costs, and the BAföG grant does not include any allowance for dependents.

Apart from grants or loans from public funds, (mostly provided under BAföG the main sources of income for students are their parents, husband or wife, and their own earnings or savings. When asked to state their main source of income, about a third of all students, according to a survey in Munich in 1974, named public grants and loans as their chief source of income, 40 per cent relied on parents, and almost a quarter relied mainly on their own earnings, or on their husband or wife. Thus, although the extent of public aid to students has expanded considerably since 1972, the majority of students still rely chiefly on their own earnings or on their families. However students of higher vocational institutions, (Fachhochschulen) are much more dependent on public support than university students, and these institutions derive far more of their students from lower social groups. This has been interpreted as an indication of the success of BAföG in reducing social imbalance in higher education, due to differences in family income.

(x) Evaluation of student aid programmes and proposals for change

The BAföG system is too recent to have been subjected to a major evaluation, although there is some indication that since it was introduced the proportion of students from low-income families has increased, which may be partly due to the improved financial support. Even now, it is estimated that about 25 per cent of students who would be eligible for support do not apply.

The main proposals for changing the system have concentrated on raising the levels of aid, on mitigating the undesirable effects of basing level of aid on income two years ago, and on extending it to include school pupils in grade 10. However, at present the governments' desire to limit public expenditure has led to postponement of any such measures and indeed, certain administrative changes in 1976 actually reduced expenditure on aid as part of an extensive package of public expenditure cuts, although the cuts were concentrated at the higher level, and did not affect aid for secondary school pupils after the compulsory age. For students in higher education, the effect of these cuts was that a revision of the level of BAföG maintenance allowances, which was due in 1976, was postponed for a year. As a partial compensation all allowances were increased by a flat rate 10 per cent, but this was less than the increase in the cost of living since the last revision, in 1974.

JAPAN

Japan is unusual, among OECD countries, in having a very high proportion of higher education students enrolled in private institutions, and a much lower level of public subsidy for higher education than the other countries included in this review. In 1970, almost 76 per cent of university students were in private institutions, and 90 per cent in private junior colleges. Central and local government do provide subsidies for higher education but at the university level almost half of the total current expenditure is financed privately, and in junior colleges, the proportion is 88 per cent(1). It is particularly striking, therefore, that the level of student aid is much lower in Japan than in many OECD countries. According to the recent survey of educational expenditure in Japan, carried out by Noda and Watanabe;

> "Transfers to students, especially in higher education, have not been considered historically as an important measure in promoting educational efforts. Low rates of tuition have been regarded as a more desirable means for this purpose, and the present low rate of tuition in national universities, i.e. $80 per annum, reflects this. The recent rising trend in the consumer price index, however, may not allow a continuance of the relatively low rate of tuition. This may be especially true for private institutions. A combination of higher tuition with larger transfers might become a new fashion in the future"(2).

The importance of financial factors, including the availability of student aid, in determining student demand for higher education has been demonstrated by Japanese research. In 1968, a survey was carried out of secondary school pupils, and factor analysis was used to measure the effect of various factors on the motivation of lower secondary pupils for continuing to the upper secondary level (the overall percentage who go on to this level is 77 per cent) and the motivation of upper secondary graduates for entering junior college or university (the percentage being 23 per cent)(1). It was found that at the lower secondary level, the most powerful factor determining motivation was "grade point average", but the second strongest factor was family income. Similarly, family income was a powerful factor both in influencing choice of course and the degree of motivation for higher education, and the availability of a scholarship also exerted some influence on pupils' motivation. Another survey in 1968 of secondary school leavers who did not proceed to higher education showed that 26 per cent of girls and 35 per cent of boys mentioned economic handicaps as their reason for not going on to higher education. Among those whom teachers assessed as having both the ability and the determination to go into higher education, the proportion mentioning economic handicaps was even higher: about 50 per cent of males and 40 per cent of females(2).

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(1) Noda and Watanabe, op. cit.

(2) Ibid.

About 75 per cent of all student aid, both for students in higher education and upper secondary school pupils, is provided by the Japan Scholarship Foundation, which was set up in 1943, and is financed by the national treasury. Apart from this, there are a number of small loan or grant schemes, run by local governments, educational institutions or charities. In 1974, the government introduced a new system of financial assistance for private colleges and universities, to enable them to award loans to needy students.

(i) Type and purpose of aid

All aid from the Japan Scholarship Foundation is provided in the form of loans. However, the Foundation offers both "ordinary loans" and "special loans" and the latter consist of a repayable portion equal in value to an ordinary loan, and a supplement which is not repayable, and although called a loan is, in effect, a grant. About 50 per cent of all loans are "special loans".

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(1) See Educational Policy and Planning in Japan, OECD Paris, 1973, for a summary of this research.

(2) Ibid, p. 101

The loans are provided to "students with superior abilities who are of good health and personality and who find difficulty in pursuing their courses of study due to financial reasons"(1).

(ii) Proportion of students receiving aid

The proportion of undergraduates at universities receiving a loan from the Japan Scholarship Foundation was 11 per cent in 1974, and the proportion in junior colleges was only four per cent. The proportions are higher in technical colleges (24 per cent) and graduate schools (55 per cent). The percentage of university students receiving aid has fallen from about 20 per cent to 10 per cent in the last decade.

(iii) Administration of aid

The Japan Scholarship Foundation is an independent agency, though financed from public funds. The loans are provided through private banks.

(iv) Level of aid

In 1976 a total of ¥45 billion was provided, which amounted to about ¥137,000 for every student receiving aid, but if divided by the total number of students, it would amount to only ¥7,000 per student. The maximum value of a loan to undergraduates was ¥276,000 and a post-graduate student, ¥566,000.

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(1) Nikon Ikueikai, *The Outline of the Japan Scholarship Foundation*, Japan Scholarship Foundation, Tokyo, 1970, p.1.

In general, special loans are higher in value than ordinary loans, which means that a proportion of the total amount is in the form of a grant. In recent years, the proportion of special loans to general loans has increased. Special loans are higher for students in private universities than for those enrolled in public institutions.

(v) Eligibility of students for financial assistance

Japanese loans are offered on the basis of academic ability as well as financial need. Academic ability of students is judged in terms of their school record, their performance in the entrance examination, and their progress in higher education. The loans are also means-tested, in terms of parental income, after certain allowances are made for the level of essential expenditure.

This means that to qualify for an ordinary loan, a university student must have a family income of less than ¥1.7 million, and a grade point average in school of 3.2 or over. If his grade point average was over 3.5 he may qualify for a special loan, since special loans are awarded on the basis of academic achievement, as well as family income.

(vi) Tuition fees

Students in both public and private colleges or universities must pay fees, but there is a considerable difference between the fee charged at a national university compared with other public universities or private institutions. In 1977 the average fee at the National University is ¥96,000, which is only about one third of the fee charged at private universities (¥260,000). Students of very high ability, who are unable to pay these fees may be exempt. In 1976, about 10 per cent of all students at National colleges or universities did not pay any fees.

(vii) Conditions of student aid

Japanese student loans are free of interest, and must be repaid within 20 years, starting six months after graduation. The instalments vary, according to the size of the loan, but are not dependent on the graduate's level of income. In cases of illness or unemployment repayment can be postponed, but no special concessions are made to married women, if they are not working.

The only group of students or graduates who are singled out for favourable treatment is teachers. Students who enrol in a teacher training course have a greater chance of obtaining a special loan, and graduates who become teachers may be forgiven part or all their loan.

(viii) Financial aid for secondary school pupils

Financial aid at the upper secondary level is also provided by means of loans, on the basis of academic ability and financial need. In 1974 2 per cent of pupils in upper secondary schools received, on average, ¥43,000 a year.

(ix) Other forms of financial assistance for students or their families

A certain amount of indirect aid is provided, in the form of subsidies for food, books, accommodation, medical and welfare expenditure. Together, these amount to about 5 per cent of direct student aid.

(x) Evaluation of student aid programmes and proposals for change.

There has been no major evaluation of the Japanese student aid programme but research on the effects of financial factors on the decision of secondary school pupils whether or not to proceed to higher education shows that financial barriers do exist and prevent some able pupils from continuing with their education. For example, among pupils who were considered by their teachers to have the aptitude for higher education, but who decided not to enter university or junior college, those who gave "cannot afford to pay for higher education" as the major reason for their decision had an average grade point of 3.5 to 3.7, which was as good as that of the pupils who had decided to proceed to higher education, but their family income was about ¥800,000 compared with about ¥1,300,000 to ¥1,500,000 among the latter students(1). Thus the level of student aid does not appear to be high enough to prevent some pupils, who had grades sufficient to qualify for aid, from leaving the education system after the secondary level, on grounds of economic hardship.

There have been proposals for an expansion of student aid. The Central Council for Education, which in 1971 produced "Basic Guidelines for the Development of the Integrated Educational System Suited for Contemporary Society" recommended:

> "Considering that it is the responsibility of the government to guarantee opportunities for education suited to the abilities of all in the nation and to take measures to narrow the differences in educational conditions, the government should take drastic steps to enrich scholarship programmes, and to equalise the geographic distribution of educational institutions through expanding existing institutions and subsidising private schools".

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(1) OECD Educational Policy and Planning in Japan. op. cit.,

NETHERLANDS

The Dutch government is at present preparing radical changes in the system of student aid, which are designed to make the distribution of student aid more equitable, and to increase the financial independence of students from their parents. The total amount of student aid will not be increased, but there will be changes in the way it is provided, and distributed between different income categories. The new scheme was proposed in 1974 (1).

(i) Type and purpose of aid

At present direct aid to students in higher education is provided by means of grants and interest-free loans which are given to supplement funds provided by parents for both tuition fees and living expenses: in addition, parents receive partial compensation for their own contribution by means of family allowances and tax relief. Thus, the existing system of public subsidy for students has five distinct elements:

(a) grants to students;

(b) loss of interest on student loans;

(c) family allowances, paid to parents and varying according to family size;

(d) tax relief, for parents, in the form of deductions from taxable income;

(e) low tuition fees.

The present system is based on the assumption that the main responsibility for financing students is that of the parents, although the government compensates parents who contribute to fees and maintenance expenses, and in addition provides means-tested allowances for low-income students in the form of 60 per cent grant, 40 per cent interest-free loan. Because subsidies are provided in a variety of ways under the present system, there are a variety of different regulations and criteria, and the extent to which families benefit depends to a large extent on their income, in particular the tax concessions provide the most benefit for those who pay the highest rate of income tax, and students from low-income families are given aid in the form of a repayable loan, while high-income students do not need to incur debts. For these reasons the present system has been attacked as inequitable; under the new system all students will receive a basic grant, which will replace the family allowances and tax relief at present given to parents. In addition, students from low-income families will receive a supplementary grant. Finally, students who do not receive funds from their parents, because of either parental or student unwillingness (as opposed to inability to pay) may receive loans from private banks at interest rates fixed annually according to the market rate (1977: 9 per cent) with the government providing a financial guarantee.

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(1) See Council of Europe, Financial Aid to Students in the Netherlands. Report submitted by the Netherlands Ministry of Education and Science to Council of Europe, Committee for Higher Education and Research, Meeting 12th-14th May, 1976, Mimeo

Under the new system, the existing five types of assistance will be replaced by four, but it is hoped that this will mean a more integrated and coherent system as well as a more equitable one than the present. The four types of assistance will be:

(a) basic grants for all students;
(b) means-tested supplementary grants;
(c) financial guarantee by the government which will enable the banks to offer loans at comparatively low interest rates.
(d) low or no tuition fees.

(ii) Proportion of students receiving aid

At present all parents of students in higher education are entitled to family allowances and tax relief if they contribute to their living expenses, but only a proportion of students receive grants or loans. In future all students will receive a basic grant, a proportion of students - depending on parental income - will receive supplementary grants; if this is still insufficient students may choose to take advantage of the government guarantee for loans. It has not yet been decided what proportion of students will receive supplementary grants, while the proportion taking loans will be a matter of student choice.

(iii) Administration of aid

At present the system of student grants is administered by the Ministry of Education; the family allowance system by the appropriate social security department, and the tax relief by the income tax authorities. The three types of subsidy are closely related in a rather complicated way; for example, entitlement to a family allowance or tax relief depends not simply on the actual number of children in a family, but on the number of "fiscal children"; if parents are contributing to the costs of educating a child then he may count as more than one "fiscal child" and this will affect entitlement to family allowances, tax relief and a student grant.

The new system will be simpler to administer, since the basic grant will replace the family allowance and the tax relief for parents. It could, therefore, be wholly administered by the educational grants department of the Ministry of Education, assisted by the Student Welfare Officers in each university.

(iv) Level of aid

It is proposed that the total expenditure on students shall not be greater, under the new system than under the existing one. In 1975-76, direct expenditure on student aid was Fl.1,200 million of which family allowances accounted for a little over a half, grants to students for a quarter, and interest subsidy on loans and tax relief for about ten per cent each. In the future, it is envisaged that a similar sum will be distributed in the form of outright grants and a small element of interest subsidy for loans.

The level of support for individual students varies according to parental income and the rather complicated rules concerning estimated parental contribution. There was no alternative source of funds if parents refused, or found themselves unable, to make the assumed contribution, before the introduction of commercial bank loans with a government guarantee, which first became available in 1974.

The grant regulations set maximum levels of grant for categories of students, mainly according to place of residence, and there is also a maximum set on the commercial loans which are available. Under the present system maximum levels of grants are the same for students in universities and higher vocational courses, but tuition and registration fees are refunded to university students only.

(v) Eligibility of students for financial assistance

At present a student must demonstrate satisfactory academic progress, before he is eligible for a grant, and the level of grant plus loan is determined by parental income, whereas family allowances and tax relief are available to all parents who are contributing to a child's educational costs. One of the causes of complaint about the existing system, therefore, is that academic progress is used as a criterion for some benefits but not others. Under the new system, all students will be entitled to a basic grant and the supplementary grant will be means-tested. It is hoped that this will lead to a fairer system, under which all students will be treated alike.

(vi) Tuition fees

At present tuition fees are charged, but they are very low and account for a small proportion of university income. Under the new student aid system, students receiving aid will be automatically exempt from paying tuition fees. The amount of lost revenue will be deducted from the total amount available for student aid, before the calculation of the amount of the average grant. In this way a "collective tuition fee" will be charged(1). In 1974-75 revenue from fees amounted to less than 5 per cent of total expenditure on student aid.

(vii) Conditions of student aid

At present, the loans which are provided on a means-tested basis are interest-free, and must be repaid within ten years, in equal instalments. No concessions are made for married women who do not work, and level of repayment is not dependent on income, although it can be postponed in cases of financial difficulty. However, in the past there was one important concession, namely that part of the loan could be written off if graduates entered the teaching profession, research or social work. There are now very few graduates left who can benefit from it.

In the future, loans will incur interest; the 1977 rate is 9 per cent, and the loans are backed by a government guarantee, which covers the graduate in case of financial hardships, illness or death, and covers the lending bank if the student defaults. One interesting way in which the default rate has been kept low in the past is that graduates may not renew their passports if they have failed to pay loan instalments without adequate reason.

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(1) Council of Europe, op. cit., p.11.

(viii) Financial aid for secondary school pupils

The existing system of family allowances and tax relief applies to parents with children in secondary school, as well as students in higher education. Assistance to secondary school pupils depends on parental income and is intended to cover travelling expenses and the cost of text books and equipment.

(ix) Other forms of financial assistance for students

Some indirect subsidies are provided for students, such as State subsidised housing for about 30 per cent of university students, and low-cost meals, but there are no free medical insurance or social security payments for students, nor free travel facilities.

The main purpose of the new system of student aid is that it will combine in a single system different types of financial support which at present are administered separately, and which continue to be separated in most OECD countries.

(x) Evaluation of student aid programmes and proposals for change

The changes which have been proposed are on the grounds of the following criticisms of the existing system:

(a) financial assistance should go to students rather than their parents, on grounds of promoting the independence of students;

(b) it is undesirable to penalise low-income students by requiring them to incur debts which the better-off avoid;

(c) there are a multiplicity of regulations and criteria, and the relation between the different types of aid is too complicated(1);

(d) there should be a more equitable distribution of the benefits of student aid, so that a greater share will go to low income groups.

(e) only student grants are dependent on academic progress;

(f) student grants are not given to secondary school pupils of eighteen or over (although they are given to students taking higher vocational courses).

The Dutch government considered one radical proposal, that is for a "graduate tax", which would be used to finance tuition fees, instead of subsidising them from general tax revenue, as at present. It was felt by the Ministry of Education that this would be a much fairer method of financing tuition costs than the existing one under which the burden falls on the general taxpayer. The idea has had to be abandoned on practical grounds, but the Ministry of Education emphasizes:

> "The Netherlands Government regrets that it has not proved possible to recover through taxation a substantial amount of the cost of their education from graduates, more especially as the government considers that in any case it is desirable to do something about the privileged position of higher education students by some such means"(2).

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(1) Cf Tinbergen's conclusion: "the system of social insurance is deplorably complicated", in J. Tinbergen, "Education, Inequality and Life Chances: A Report on the Netherlands" Education, Inequality and Life Chances. OECD, Paris: 1975, p.409.

(2) Council of Europe, op. cit., p. 11.

NORWAY

The Norwegian government first set up a State Loan Bank for students in 1947, and has therefore a very much longer history of State aid to students by means of loans than most other OECD countries. The government provides loan finance for many other forms of investment; special State Loan Banks exist, for example, for the housing, agriculture, fishing and manufacturing industry. Therefore, the provision of loans for higher education was seen as a natural development of government policy on financing essential investment. This is also an important factor in reducing potential opposition by students or their families to the idea of loans. If parents already have experience of borrowing from a State Bank they will be less likely to be alarmed by the idea of their children borrowing to finance higher education. The present system of student aid was established in 1968, although there have been a number of recent modifications(1).

(i) Type and purpose of aid

Student aid is provided by means of grants and loans for students in higher education, and the main purpose of these is to equalise opportunity by equalising, as far as possible, the costs of education for different groups of students. All students over the age of 20 receive a basic grant and there are additional grants and loans provided for a substantial number of students. This grant for all students was introduced in 1972 to replace the tax relief previously available for parents, to compensate for their own contribution to their child's maintenance, after the age of 20. In Norway, because some students have to travel considerable distances to go to the institution of their choice, the reduction of geographical inequalities receives as much emphasis in government policy as the reduction of social class inequalities, although the two are sometimes linked together. Therefore, a grant is given to all students who have to live away from home, regardless of their level of income.

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(1) The main source of information for this section is M. Woodhall, *Student Loans: A review of experience in Scandinavia and Elsewhere*. London Harrap, 1970. Where possible this has been supplemented by more recent information provided by the State Loan Bank for Students (Statens Lànekasse for Utdanning) and the Ministry of Education.

Apart from the basic grant for all students, and the "living away from home" grant, which the majority of students receive, additional aid from the government predominantly takes the form of loans with low interest and long repayment period.

(ii) Proportion of students receiving aid

In 1974-75 about 69 per cent of all students received a grant or loan.

(iii) Administration of aid

The State Loan Bank for Students, which is run as a government agency, administers the system of student aid and deals with assessment of students' claims for aid as well as collection of loans from former students.

(iv) Level of aid

In 1974-75 total expenditure on all forms of student aid was about N.Kr.908 million; of this, 65 per cent was in the form of loans, and 35 per cent consisted of grants. The average grant, consisting partly of the basic grant available to all students and partly of the "living away from home" allowance, was N.Kr.1,600, and the average loan was about N.Kr. 8,700. In 1975, the average debt for a student on completion of his course, was about N.Kr.20,000. For students in higher education alone, the figure was about N.Kr.30,000, about 5 per cent of the graduate's income.

(v) Eligibility of students for financial assistance

Before 1972, student's eligibility for government loans was decided on the basis of parental means, and students wanting to borrow from the State Loan Bank had to provide a copy of their parents' tax return for the previous year. However, from 1972 this means-test has been abolished for students over the age of 20. From 1976 no account is taken of a spouse's income, in the case of married students.

All grants and loans are now provided with reference to a student's own income only. The only academic criterion for eligibility is that the student should make satisfactory progress judged in terms of the length of time he is taking to complete a course. In view of the fact that the typical length of study varies considerably, and students quite often change faculties, after starting a course, very few students are refused financial aid on these grounds. Before 1976-7, only full-time students were eligible, but from 1977 part-time students may also borrow from the Loan Fund.

(vi) Tuition fees

There are no tuition fees and the only expenses a student must meet, apart from living expenses, are expenditure on books and equipment, and registration and examination fees, which are very low.

(vii) Conditions of student aid

Students do not pay interest on State loans while they are studying, nor for 15 months after graduation, in order to give them time to establish themselves in a job. After this period, interest is charged at 6.5 per cent a year. There is no fixed period for repayment, and when a graduate first starts to repay his loan, he is given an individual "repayment plan" based, as far as possible, on his financial circumstances and on his expected earnings. Thus, although the loan scheme is not, strictly, an income-contingent repayment programme, in practice the level of instalments is calculated for each graduate, on the basis of his occupation, and his likely earnings. Most graduates repay their loans within 15 years, but those with a large debt and a fairly low income may take longer, while those with a small debt may repay it within three to five years.

If a graduate is ill, or unemployed, he can apply for postponement of repayment. Similarly, a married woman may apply for postponement if she is not employed; there is no automatic right to postponement, but it is usually granted. In fact there is little evidence that loans are a discouragement to female students in Norway, and labour force participation is high among educated women, so the repayment of loans does not present a serious problem to most women. In 1960, for example, the average proportion of employed women was between 18 and 46 per cent, in the case of women with no higher education, but among university graduates it was between 63 and 73 per cent and among graduates from teacher training colleges it was between 70 and 89 per cent. The average length of working life for Norwegian women graduates in 1960 was from 26 to 32 years, and since most loans are repaid within 15 years, loans do not appear to present particular problems for women in Norway(1).

There is no attempt to influence career choice of graduates in Norway, by offering favourable loan terms, or higher levels of aid for particular occupations, such as teachers. The aim of student aid policy in Norway is to treat students equally, as far as possible, except for compensating for extra costs, such as for students living away from home.

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(1) The information on labour force participation is from T. Thonstadt, Education and Manpower: Theoretical Models and Empirical Applications. London: Oliver and Boyd, 1969.

(viii) Financial aid for secondary school pupils

The system of grants for students living away from home applies to pupils in upper secondary schools as well as higher education. In addition, there are means-tested grants at the secondary level. From 1976-77 loans are made available for pupils in technical and vocational training and in the folk high schools, but not for pupils in the first grade or other general secondary education at the post compulsory level. In some cases loans are granted to pupils in general secondary education in the second and third grade.

(ix) Other forms of financial assistance and sources of income for students or their families

Financial aid in the form of a basic grant is now (since 1972) given to all students, after the age of 20, rather than to parents, although before 1972 tax relief was given to parents while their children were in full-time education. Apart from direct aid, in the form of grants and loans, the Norwegian government provides subsidies for student housing, welfare activities and travel, and also makes an annual subsidy to book publishers to reduce the price of academic books. These indirect subsidies amount to about 13 per cent of direct expenditure on student aid.

A survey of student income in 1973-74 showed that unmarried university students, living away from home, derived almost 70 per cent of their income from government loans and grants. Almost 20 per cent came from their own earnings, and the remainder from parents or other sources. University students living at home received slightly less than half their income from State funds, and were correspondingly more reliant on their own earnings, or parents. Married students also received just under 50 per cent from State funds, about 20 per cent from their own earnings, and about 28 per cent from their spouse. Students in technical schools or teacher training colleges received slightly more of their total income from government aid and contributed less from their own earnings(1).

(x) Evaluation of student aid programmes and proposals for change

The main tendency in recent changes in the Norwegian aid scheme is to provide more aid directly for students while they are studying and eliminate financial assistance for graduates, or for students' parents, by means of tax concessions. Before 1960, student loan repayments were treated like any other investment loan, and were deductable for income tax assessment. This gave some financial assistance to graduates while they were repaying their loans, but it meant that those who derived most benefit were those with the highest incomes. This policy was therefore abolished and the government promised to re-allocate the tax revenue to direct and indirect student aid. Similarly, in 1972, tax relief for students' parents which was previously granted for dependent students over the age of 20, was abolished. The money saved thereby was then used to finance a basic grant for all students over the age of 20, and in the same year the parental means test was finally abolished for student loans. This means that Norwegian students are far more financially independent of their parents than students in many other countries.

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(1) Central Statistical Bureau, Survey of Students' Consumer Expenditure, 1973-4. Oslo, 1975.

SWEDEN

The present system of government aid to students in Sweden is well-established, having been introduced in 1964 as a result of the recommendations of a government committee which reviewed the whole pattern of aid. The basic aim of the government aid system is to stimulate and enable the individual student to continue studying after the compulsory school level, without regard to financial, social or geographical circumstances.

State study assistance may be received in the form of:

(a) student aid, for pupils at the upper secondary school level, who are over 16. This system is an extension of the social security system, which provides financial support for the whole family.

(b) study means, payable to students in post-secondary education and to students aged 20 or over in folk high schools or adult education. Students who study half-time may receive half the amount payable to full-time students.

(c) study assistance for adults has recently been introduced for adults taking primary or secondary level courses, who are in need of financial assistance. According to circumstances, adult students may receive hourly or daily allowances for short courses, or a grant plus loan for longer courses, provided that they have been employed for at least four years, or meet certain other requirements.

In recent years there have been considerable changes in the pattern of recruitment to higher education, in particular an increase in the manner of part-time students, who now constitute over a half of all students. Therefore the present systems of study assistance are presently being reviewed by a government commission with a view to facilitating the introduction of recurrent education and promoting a better social recruitment to education. The commission is expected to present a report in 1977.

(i) Type of aid

Students in higher education receive assistance in the form of a basic grant (called a student allowance) and a loan, (called repayable study means) which is linked, like all Swedish social security payments, to the cost-of-living index. The total amount of assistance available to students is set in terms of 140 per cent of the "base amount" which is the unit used in all social security and insurance calculations. For example, old age pensions, sickness or other benefits are also set in terms of multiples of this "base amount" and the base itself is automatically linked to the cost-of-living index so that if the value of money falls, the base amount will increase. However, the student allowance, or non-repayable portion of student aid is not linked to the cost-of-living, but is a fixed amount. Therefore, as inflation pushes up the total value of student aid each year, the proportion of aid provided in the form of a grant declines. When the scheme was first introduced, in 1964, the grant, or study allowance, represented about a quarter of the total assistance, but in 1968 the proportion had fallen to 22 per cent and by the end of 1975 it was just below 15 per cent.

In addition to receiving State assistance, all students are able to borrow from commercial banks, on conventional terms, i.e. a guaranteed loan at the market rate of interest. The government also provides some special grants for post-graduate study.

(ii) Proportion of students receiving aid

The proportion of students in higher education receiving assistance is about 69 per cent. The proportion receiving "study means" at the post-graduate level is very low, however, (about 11 per cent in 1975) since at this level, most students have part-time teaching posts (33 per cent) or other jobs (42 per cent)or special government scholarships for post-graduate study (10 per cent).

(iii) Administration of aid

There is a central government agency, called the Central Study Assistance Committee which deals with the administration of the study assistance systems. This Committee is assisted by a number of regional committees; for example, there is a study fund committee at each university, as well as a board for the administration of study assistance for adults in each county. These committees and boards deal with all applications for grants and loans. The administration of student aid for secondary school pupils is the responsibility of municipal school boards and school heads.

(iv) Level of aid: Study means

The maximum amount of assistance available to each student is 140 per cent of the base amount, which is linked to the official price index. This means that in 1975 students could receive up to S.Kr.12,600 a year of which S.Kr.2,000 was in the form of a grant, and the remainder of S.Kr.10,600 was a loan. The average loan in 1975 was about S.Kr.10,000. In 1974-75 the total expenditure on student aid was over S.Kr.750 million, of which about 20 per cent consisted of grants, and 80 per cent of loans.

(v) Eligibility of students for financial assistance

Students in higher education are eligible for assistance if their own income falls below the income limit; there is no parental means test for any person over the age of 19, and students must simply prove to the Central Committee that they are making "satisfactory progress", which in practice means that over 90 per cent of students are eligible on academic grounds. At present the income of a student's spouse is taken into account, but from July 1978 the means test will apply only to the income of the student, and not to his or her spouse.

(vi) Tuition fees

Tuition is free at all institutes of higher education. Membership of the student union, at varying, but relatively small fees, is, however, compulsory. The student must also pay for his/her board and lodging, books and study materials.

(vii) Conditions of student aid

When the system of repayable "study means" was introduced in 1964 graduates were required to repay their loans in terms of money of constant purchasing power. This was done be expressing their debt, like the amount of the loan while they were students, in terms of the base amount, which increased in value with increases in the official price index. Because this method of repayment already takes account of inflation, graduates were also not required to pay interest. Therefore a graduate did not know, when he started to repay his loan, exactly how much he would have to repay, but the regulations guaranteed that if inflation was so severe that repaying a loan in terms of constant purchasing power would mean higher repayments than a conventional loan at six per cent interest, then the Central Study Assistance Committee would write off the difference. In 1975 the system was modified; there is still no interest charged, and the sum outstanding will in principle be tied to the value of money. The Government also provides an insurance-type guarantee, so that repayment can be postponed or waived in the event of financial difficulties arising from unemployment, sickness, disability or other special circumstances. The repayment regulations ensure that neither the total nor the annual amount to be repaid can be increased by more than 3,2 per cent in any one year. The appropriation for study loans and allowances for 1976/77 amounts to S.Kr.455 million.

A graduate starts repayment of his study means after completing his course. He must then repay the debt by his fiftieth birthday. Therefore, in practice, most graduates have about twenty years in which to repay their loans. A married woman is not automatically excused repayment if she is not working and half her husband's income is taken into account, when calculating whether she can be excused repayment in a particular year. This consideration of the income of wife or husband will be abandoned in 1979 as part of the efforts to achieve equality between men and women.

There is no fixed instalment payable each year, and the amount a graduate must repay is dependent on the size of his debt, and his age when he starts repayment. In recent years a typical loan repayment has been about S.Kr.1,500 a year, which would mean that a newly qualified graduate would pay about 4.5 per cent of his income in loan repayments, and an older graduate would pay rather less. In 1974 about 13 per cent of graduates were excused repayment on grounds of illness, unemployment or low income.

New forms of study assistance for adults were introduced in 1975, chiefly for those attending courses at primary or secondary level, or literacy classes. Expenditure on all forms of adult assistance was increased in 1976/77 with a view to making it financially possible for a growing number of adults to attend long or short courses. The adult education reforms are financed by a special employer's contribution. This is known as the adult education contribution and levied at a rate of 0.15 per cent (from the 1st of January 1978 0.25 per cent).

(viii) Financial aid for secondary school pupils

All pupils over the age of 16 receive financial aid known as "studiehjälp" while they are in secondary school. Every pupil receives a basic allowance of S.Kr.150 a month, which is, in effect, an extension of the family allowances payable to parents for children under 16. In addition, there is a travel allowance, based on the length of journey to school and pupils are entitled to a means-tested supplement of S.Kr.20 to 150 a month, and a board and lodging allowance, if they live away from home. In exceptional cases, pupils in the final years of secondary school can apply for a loan of up to S.Kr.4,000. In 1968 financial aid to secondary school pupils accounted for about 12 per cent of all student aid expenditure in Sweden.

(ix) Other forms of financial assistance and sources of income for students or their families

The Swedish government provides a subsidy to student unions for the operation of a variety of student welfare programmes, such as cheap housing and restaurant facilities, and clinics offering free medical treatment. In addition, all students are entitled to reduced rate travel.

Since one of the aims of student aid policy in Sweden is to promote the financial independence of students, the government does not give aid to parents, in the form of tax relief, nor is parental income taken into account in determining a student's level of grant and loan. Since the present system of aid was introduced, students derive a greater proportion of their income from State grants or loans, and a smaller proportion from their parents. A survey in 1962-63 showed that State grants and loans provided about 40 per cent of the income of students, that students' own earnings accounted for 33 per cent and the remainder was derived from various sources, including parental contributions. By 1968 the proportion coming from parents had declined quite sharply, there was a slight decline in the share financed by students' earnings, but the contribution of State aid, in the form of grants and loans combined, had risen to over 60 per cent.

(x) Evaluation of student aid programmes and proposals for change

The existing system of student aid is currently being reviewed by a government committee, and a report is expected in 1977, which is likely to propose changes in the existing system.

UNITED KINGDOM

These is no centralised system of education in the United Kingdom and responsibility for education is shared between four government departments, the Department of Education and Science, which deals with all sectors of education in England, with all higher education in Wales and with universities in Scotland; the Welsh Office, which is responsible for schools in Wales; the Scottish Education Department, which deals with schools and further education in Scotland; and the Northern Ireland Ministry of Education which is concerned with all levels of education in Northern Ireland. Although many aspects of student aid policy are common to all the countries in the United Kingdom there are some differences in detail. This section concentrates mainly on the system in England and Wales. The pattern of student aid in Scotland and Northern Ireland is broadly similar.

The present pattern of student aid has developed as a result of the 1944 Education Act, which gave local education authorities the power to grant scholarships or other allowances to any pupil or student over compulsory school age, "for the purpose of enabling pupils to take advantage without hardship to themselves or their parents, of any educational facilities available to them"(1). The system of student aid was reveiwed by a government committee between 1958 and 1960, and this recommended as a general principle that all British residents admitted for the first time to a first degree course at a university, and having two passes in the General Certificate of Education at "A" level, should receive a grant from public funds(2). This is still the fundamental principle of the British student support system; although it is no longer necessary to have 2 "A Levels" to qualify for a grant. In certain cases alternative qualifications are now accepted. The present system dates from

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(1) Education Act 1944, Section 81.

(2) Department of Education, Grants to Students. HMSO, London, 1960, (Cmnd. 1051) p. 95.

1962 when the Committee's recommendations came into effect, having been extended to other forms of higher education, such as teacher training, and most other forms of full-time post-compulsory education.

(i) Type and purpose of aid

All student awards are in the form of grants from public funds. The majority of awards are administered by local education authorities,and for most students the award consists of two parts; the first covers tuition and other fees, which are generally paid directly by the local education authority, and the second part of the award consists of a grant towards his maintenance costs. Local education awards to students fall into two categories; the first, known as "mandatory awards" are for students taking "designated courses", i.e. first degrees, teacher training courses and certain other courses in advanced further education. For these awards, the level of grant is laid down by government regulation and all students who gain admission and satisfy certain other conditions are eligible for a grant. The other category, known as "discretionary awards" are for advanced courses which are not "designated" and for lower level courses in further education, residential courses at adult education colleges or for students who do not satisfy the conditions for a mandatory award, for example, if they are taking a second course, having already received a grant for another. In such cases, the granting of an award, and its level, is at the discretion of the local authority.

In addition to these local authority awards, there are a number of scholarships or bursaries for postgraduate students, offered by the Department of Education and Science and the Research Councils and State bursaries for students attending residential adult education courses.

(ii) Proportion of students receiving aid

In 1972-73 there were 617,000 full-time students in England and Wales attending universities, further education establishments or colleges of education, and there were 421,000 student awards made in the same year. This means that 68 per cent of all full-time students received an award. However, the total number of students includes overseas students, who in 1972-73, accounted for nearly ten per cent of all university students in England and Wales, and also students attending courses not eligible for support. If these are excluded, the proportion of students receiving awards rises considerably. In 1972-73 the proportion of full-time British students in universities receiving an award from public funds was about 90 per cent. It was estimated that in that year only five per cent of undergraduates and 12 per cent of post-graduates did not receive grants from any source(1).

(iii) Administration of aid

Most of the student awards are administered by the local education authorities, which now number 104 in England and Wales. However, the mandatory awards are all administered on the basis of regulations laid down by the Department of Education and Science. The local authorities do apply their own rules, however, for administering discretionary awards.

In addition, the Department of Education and Science administers State studentships and bursaries for post-graduate students. In many cases, selection for these awards is made by the universities on a quota basis. The five Research Councils also administer post-graduate awards in their own subjects. In 1972-73 the awards administered by central government departments or agencies numbered about 21,000 and the local education authority awards about 400,000.

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(1) See Hansard, House of Commons Official Report, Written Answers to Parliamentary Questions, 22nd May, 1975. HMSO, London, 1975, p.558.

(iv) Level of aid

In 1974-75 total expenditure on student grants was about £200 million. Roughly 20 per cent is devoted to fees and the remainder is a contribution to the costs of students' maintenance. The maximum grant is intended to cover a student's full maintenance costs during term time and the Christmas and Easter vacations, plus expenditure on books, equipment and travel.

In 1972-73 the maximum value of a local education authority maintenance award for undergraduates was £445. In the same year the average award per student was £314 for maintenance and £102 for fees, making a total of £416.

The actual amount a student receives depends on his parental income, on the level of fees at his university or other institution, and on whether he lives at home or elsewhere. If his parental income is above a fixed limit he will receive only a minimum award of £50. In 1972-73 about eight per cent of all student award holders received only the minimum grant, and 21 per cent received the maximum grant; the remaining 71 per cent received amounts varying according to the means test.

Before 1974 the maximum value of student grants was changed every three years. In 1974, due to student pressure and increasing inflation, an annual review was introduced, and the maximum level of aid is therefore fixed each September. In 1976-77 the maximum level of grant for undergraduates not living at home is £875 and £995 in the case of those in London. Undergraduates living at home receive £675, and postgraduates £925. Postgraduates living away from home get £1270 and those in London £1380.

(v) Eligibility of students for financial assistance

All eligible students who are admitted to a first degree or comparable course, or to a teacher training course are entitled to a minimum grant of £50 a year. Apart from this, the level of grant is determined by a means test which is used to calculate an assessed contribution by the student himself, his parents, or his spouse. This assessed contribution is then subtracted from the maximum grant to give the level of grant awarded from public funds. The means test takes into account the level of parental income, the size of family and allowances given for purposes of tax relief, and then the assessed contribution, for which the parents are assumed to be liable, is related to the balance of income in such a way that (in 1976-77) an income of less than £2,700 means that there is no parental contribution and an income of more than £10,000 means that a student will receive only the minimum grant. In 1972-73 the average deduction from the maximum grant, for assessed parental contributions, was £122, compared with an average grant from local authorities of about £400.

This assumed parental contribution has been much criticised on the grounds that parents have no legal obligations to pay it, and that when young people now attain their legal majority at the age of 18, it is an anomaly that they are assumed to be financially dependent on their parents until the age of 25, even if married. Surveys of student income and expenditure suggest that an increasingly large proportion of parents cannot or do not make the full contribution that is assumed in the calculation of grant levels. One survey in 1975 found that nearly half the students receiving less than the maximum grant said that their parents were unable to give them the full value of their assessed contribution. Another problem is that the parental income levels used as bases for the means test have not been adjusted, in recent years, frequently enough to keep step with inflation, so that the value of the average parental contribution rose in real terms by 28 per cent between 1962 and 1972. If the average parental contribution is compared with the average expenditure by local authorities on fees and student maintenance grants, in 1965 and 1972, the parental share in the total cost has risen from 16 to 23 per cent(1).

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(1) "National Union of Students. The 1975 Annual Review: Grants Memorandum". N.U.S., London: 1975, Mimeo.

This has increased the pressure by students and others to abolish the parental means test. This was recommended by the committee reviewing student grants in 1960, but it was not implemented, on grounds of cost. In 1960, it was assumed that it would cost almost £5 million to abolish the means test, which was 22 per cent of total government expenditure on student grants. In 1972-73, it would have cost about £40 million to abolish the parental contributions, or roughly 27 per cent of government expenditure on student grants.

(vi) Tuition fees

Students do pay fees in higher education in Britain, but all students receiving a mandatory grant from public funds get their fees paid in full, or in part, except for the eight per cent who get the minimum grant on grounds of high parental income. In 1972-73 expenditure by local authorities on students' fees amounted to £25 million, out of a total expenditure on student awards of £130 million. Thus, about 20 per cent of their total expenditure on student grants was devoted to fees, and the remainder to maintenance costs. However, fees finance a very small proportion of total expenditure in higher education. In 1972-73 a little over five per cent of the total income of universities was derived from fees, and over 86 per cent came from central or local government grants. The government has proposed that from 1977-78, the level of fees should be considerably increased, and consultations are now taking place on the level of fees to be charged. However, under the new proposals, all students with mandatory awards (including those who at present get the minimum grant) would have their fees paid in full.

(vii) Conditions of student aid

All students taking first degrees, or other designated courses who are eligible on grounds of parental income, receive a grant, calculated according to the means test, and according to the place of study. Students in London, receive higher grants on grounds of additional cost, and those living away from home receive more than home-based students. In addition to the basic grants, students may receive additional payments for longer than average courses, essential vacation study, travel expenses, etc., and married students may receive additional allowances for dependents. However, married students are still liable to the parental means test unless they qualify as financially independent, which means that they must be over 25, or have supported themselves from earnings for three years before the start of their course.

No aid is given in the form of loans, nor are there any special provisions for students taking particular courses, or intending to enter particular occupations, except on grounds of differences in cost, for example, medical or dental students receive additional allowances for equipment. As far as possible, however, the purpose of the grant regulations is to treat all categories of students alike, except for compensating those with high costs or low family income.

(viii) Financial aid for secondary school pupils

At present, local education authorities have powers to give parents of secondary school pupils above the minimum school leaving age (16) a grant towards their maintenance costs, but these grants are discretionary, which means that there is considerable variation between different authorities, both in the proportion of school pupils receiving grants, and the amount of grant awarded. A survey by the Department of Education and Science in 1974 showed that the proportion of pupils aged 16-19 receiving maintenance grants varied from under 0.1 per cent in one authority to 9.6 per cent in another, and the average annual grant varied from £31 to £204, with an overall average of £127(1).

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(1) Hansard, House of Commons Official Report. Written Answers to Parliamentary Questions, 29th October, 1975, HMSO, London.

In 1972-73 local authorities in England and Wales spent a total of £1.7 million on maintenance grants for secondary school pupils over the school leaving age, which represented onl. one per cent of their total expenditure on maintenance grants. In addition, about £3 million was devoted to payments for board and lodging or clothing allowances for pupils in exceptional need. This means that of the total expenditure of £125 million on maintenance grants and allowances, about four per cent was devoted to school pupils and the remaining 96 per cent to those in post-secondary education.

In 1974 a government committee reviewed the provision of maintenance allowances for pupils in post-compulsory secondary education and emphasized that "In education, the years from 16 to 18 are the bridge between compulsory school and preparation for a career. It is an excellent national investment to ensure that all with the will to cross that bridge should be able to do so"(1). The committee recommended that educational maintenance allowances should become mandatory, that is to say all local authorities should be required to give allowances for 16-18 year olds, on a national scale, to all families with incomes below a stated minimum. The committee considered the argument that the allowances should be paid to pupils, rather than parents, in order to allow them more financial independence, and concluded that one third should be given to the pupils, and two-thirds to the parents.

The government has not accepted these recommendations, preferring to look at the question of financial support for secondary school pupils in the wider context of general family support. The present system of family allowances is to be changed and a new Child Benefit will become payable which combines the present family allowances and income tax relief for dependent children. The government therefore prefers to look at the question of educational maintenance allowances in the light of the new system of welfare benefits for families.

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(1) Third Report from the Expenditure Committee: Educational Allowances in the 16-18 Years Age Group. HMSO, London, (H.C. 306) 1975, p. vii.

(ix) Other forms of financial assistance and sources of income for students or their families

The government provides some subsidies for halls of residence and catering facilities in higher education and the levels of grant provided for different categories of student reflect this. Universities charge fees for residence, and the maintenance grant for university students is supposed to cover these, but students in teacher training colleges frequently receive free board and lodging, and their maintenance grants are correspondingly reduced. In 1972-73 total public expenditure on board and lodging in teacher training colleges was £22 million, and £5 million was spent on student welfare facilities in universities. This means that indirect aid to students, in the form of subsidies amounted to about 18 per cent of expenditure on direct aid.

There are two other indirect sources of public funds for students and their families. The first is income tax relief for the parents of full-time students, in the form of a "child allowance" which is deducted from taxable income. In 1960, it was estimated that parental contributions, through the application of the means test, amounted to £4.8 million, and that the cost to the exchequer of income tax child allowances was about £3.6 million. In 1975, however, it was estimated by the National Union of Students that the cost of abolishing parental contributions through the means test would be roughly £60 million, and the tax lost through the child allowances was about £40 million, so that the net cost to public funds of abolishing the means test would be £20 million. The National Union of Students argue "whilst this means that abolition of the means test may be more "expensive" than previously estimated, it also means that the case for it has become stronger as the average amount that parents are due to pay rises beyond the value which the income tax allowance can have"(1).

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(1) National Union of Students, "Grants Review, 1973-74". N.U.S. London, January 1974, Mimeo.

In addition, students with rent commitments or dependents are entitled to claim social security benefits, for example, if they are unable to find work in vacations. They cannot claim unemployment benefit, unless they were previously employed, but they are entitled to claim supplementary benefit, which is a social security payment designed for people not in full-time work whose income is not enough to meet their needs. In the past, students very rarely claimed supplementary benefit but from 1973 onwards the National Union of Students conducted a campaign to make students more aware of their entitlement, and as a result the number of students claiming supplementary benefit in the summer vacation rose from 28,000 in 1973 to 120,000 in 1975. This tendency has been criticised, on the grounds that students already receive a maintenance allowance to help finance full-time study, and that if they are given additional support, on the grounds that they are unemployed, it is a "dangerous misuse of public funds"(1) and also leads to distortions in the estimates of unemployed.

There are no accurate figures of the cost of supplementary benefits to students, but one recent estimate suggested £15 million a year(2). A survey of undergraduate income in 1974-75 showed that about 35 per cent of the students in the sample received supplementary benefit payments during at least one vacation. As a result of new regulations recently announced, it will be more difficult for students to claim supplementary benefit, in the two short vacations, although it will still be possible to claim in the summer vacation, if they are unable to find temporary work.

In fact it is partly due to the difficulty of finding paid employment in a period of high unemployment that so many students have claimed supplementary benefits, and at the same time have campaigned vigorously for an increase in the value of maintenance grants, to provide more adequate support in the vacations. Until recently there was no accurate information on the sources of income and actual expenditure of British students. An official survey of income and expenditure of undergraduates was carried out in 1974-75, and a summary of the results published(1). This showed that, on average, 70 per cent of the term-time income of undergraduates was derived from grants, and over 50 per cent of total annual income. Income from parents accounted for 20 per cent of total annual income, and vacation earnings for 22 per cent. Some estimates in 1969 (shown in table 2) suggested that the public sector contributions, either direct, through student grants, or indirect, through loss of tax revenue from students or their parents, was on average between 66 and 80 per cent of the earnings foregone by students, after allowing for vacation earnings. These figures were only intended to give an indication of orders of magnitude, and they do not necessarily reflect the present position regarding the value of tax relief or vacation earnings, but they do show clearly that the maintenance award is only one element in the total public contribution to the living expenses of students and they show a much higher contribution from public funds to the indirect costs of under-graduate or post-graduate study, compared with an upper secondary school pupil's costs(2).

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(1) A remark by Lord Ashby, quoted in Times Higher Education Supplement, 5th September, 1975.

(2) "The cost of welfare handouts to students". Financial Times, 10th February, 1976.

(x) Evaluation of student aid programmes and proposals for change

There is a continuing debate in Britain about the adequacy of the student aid policy and in particular about whether student support should be in the form of loans, rather than grants. The Robbins Committee examined the arguments for loans, and concluded that there were two main arguments in favour of loans, and two against. In the first place loans could be justified on grounds of equity, since higher education brought private returns, and it was better that those who would benefit in the future should pay out of their increased earnings, rather than "being put in a position to command a higher income in virtue of taxes paid, in part at least, by those whose incomes are smaller"(1). Secondly, it was felt that a student financed by loans is likely to have a greater sense of individual responsibility. On the other hand, the Committee recognised that the returns from higher education are uncertain, and that a system of loans might discourage the poor, or women, who would, if they married, have a "negative dowry".

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(1) Department of Education and Science, Undergraduate Income and Spending. DES: London, 1977.

(2) Since 1969, when these figures were calculated, the school-leaving age has been raised to 16.

The Committee concluded that the opposing arguments were very evenly balanced, but "On balance we do not recommend immediate recourse to a system of financing students by loans... But as time goes on... the arguments of justice in distribution and of the advantage of increasing individual responsibility may come to weigh more heavily and lead to some experiment in this direction"(2).

In fact since this was written, in 1963, there have been frequent suggestions that loans should be introduced in Britain and equally frequent attacks on the idea by those who favour the present system of grants(3). In 1973 the House of Commons Expenditure Committee recommended that loans should be introduced for post-graduate students, combined with a policy of free tuition and a basic grant to cover part of the costs of maintenance, which would not be subject to a means test(4). In other words, the loans would be similar to those provided in Norway and Sweden, in that they would be available to all students, regardless of parental means, to supplement a basic grant which would be provided to partly cover the costs of maintenance. The Committee reported that:

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(1) Robbins Report, op. cit., p.210.

(2) Ibid, p. 212

(3) For a summary of the arguments, see M. Woodhall, op. cit., Chapter 1, and A. Maynard, Experiment with Choice in Education. Institute of Economic Affairs, London, 1975.

(4) Third Report from the Expenditure Committee: Postgraduate Education. HMSO, London, 1973.

TABLE 2

UNITED KINGDOM

Estimates of Earnings Foregone and the Public Sector Contribution to Students or their Families 1969

	For a 15-year old	For an under-graduate	For a post-graduate
Earnings foregone			
Gross pay	315	815	1,115
Less vacation and teaching earnings	-	60	160
Net earnings foregone	315	755	955
Public sector contribution			
(a) By loss of revenue			
National Insurance (Employee's contribution)	30	45	50
Income tax of student	5	125	225
Income tax of parent	60	70	70
(b) By award			
Maintenance award, less element for books and parental contribution	-	265	435
Total	95	505	780
Balance carried by individual or his family	220	250	175
As a % of gross earnings foregone	70	31	16

Source: Department of Education and Science, Output Budgeting for the Department of Education and Science. Education Planning Paper No. 1. HMSO, London, 1970, p.28.

> "We are satisfied that such schemes are practicable, that they help to contain public expenditure and that they could contribute to a re-ordering of priorities in education expenditure to promote equality of opportunity".

However, it also emphasized that it was recommending loans only in the context of a policy of free tuition and the provision of basic grants which would not be subject to a means test, and that the recommendation applied only to post-graduates. "Our proposal must not be taken as implying that we consider that loans for students would be practicable or justifiable in any other context"(1). However, in August 1976, the government announced that it had no intention of introducing loans for any students, and that it estimated that the saving involved in a loan scheme for postgraduates would be too small to justify their introduction.

There have been several other proposals for publicly financed loans to enable students to supplement the level of existing maintenance grants, for example, if the assumed parental contribution is not forthcoming(2). Other proposals for the introduction of loans go much further than this, and are linked with the proposal to raise the level of fees, so that they would cover a much higher proportion of actual expenditure, or even, in some cases, the full cost of higher education. Some advocates of loans in Britain favour an income-contingent scheme(3), while others favour a straightforward loan with an "insurance element" similar to the Swedish provision that automatically excuses low earners from repayment. Another proposal, which is closely related to these proposals for loans, is that of a graduate tax, under which graduates would pay an additional tax, proportional to income, with the result that higher earners would subsidise graduates with low incomes(4).

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(1) Ibid, p. xxix.

(2) For example, E. Rudd "Who Pays for Undergraduate Study?", Universities Quarterly, Winter 1970.

(3) For example, A.R. Prest, Financing University Education, Institute of Economic Affairs, London, 1966.

(4) H. Glennerster, S. Merrett and G. Wilson, "A Graduate Tax". Higher Education Review. No.1, 1968. The most recent proposal for student loans is by Maynard: Experiment with Choice in Education. Institute of Economic Affairs London, 1975.

Most of these proposals rest, at least partly, upon the argument that it is more equitable for graduates who earn higher than average incomes as a result of their education, to contribute towards its cost out of their enhanced earnings, rather than be heavily subsidised by taxpayers with only average incomes. This goal of equity, however, sometimes appears to conflict with another goal emphasized frequently, namely increasing the participation of students from low income families. It is often argued in Britain, that the existing grants system provides more of an incentive to working class pupils, who would be discouraged from entering higher edudation by the prospect of debt. Thus, the two objectives of equity and equality of opportunity sometimes appear to be in conflict in the British debate on methods of student aid. This question will be examined again, at the end of this paper.

Another objective which is often claimed by both sides in the grants versus loans debate is the promotion of student independence. For example, the proposal for a partial loan scheme, under which students would have the opportunity to supplement a basic grant by means of a loan has been justified on the grounds of the need to free students from dependence on the parental contribution. On the other hand, the National Union of Students believes that the only way to do this is by abolishing the means test, and making the maximum grant available to all students.

Thus, in the United Kingdom, there are many proposals for changing the method and the level of student aid, but no signs that any of them is likely to win government support at present.

UNITED STATES

Of all the countries included in this study, the United States has the most bewildering array of student aid programmes and any attempt to summarise them briefly is bound to lead to simplifications and omissions. This is even more true when we turn to an evaluation of existing programmes and proposals for change. The Sub-Committee of Post-Secondary Education of the House of Representatives' Committee on Education and Labor held extensive public hearings for more than a year, in considering changes to be made in the Office of Education's student financial aid programmes. (These programmes were ultimately extended through 1975-76 by virtue of the prior statutory provision providing a one-year extension; they were not amended until the enactment of the Education Amendments of 1976, 12th October, 1976. The result is that there is more detailed information available, more attempts at assessing the effects and more proposals for change of student aid programmes in the United States than in any other country. This section of the paper cannot hope to do justice to all this material, and indeed the wealth of information and recent evaluations of student aid programmes in the United States would justify a separate study of American experience. This summary will therefore concentrate only on providing an outline of all the major programmes and a very brief review of assessments of the various types of aid and proposals for change.

American students receive financial assistance from federal government, state government and private funds. Since 1958 the amount of financial assistance provided by the Federal government has increased substantially, in response to various changes in policy or national priorities. In 1974-75, 80 per cent of all direct aid to students came via Federal programmes, but according to one recent report: "The result has been not a coherent whole but a mosaic of loosely connected programmes with varying purposes, constituencies, delivery systems and appropriations support".(1)

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(1) Consortium on Financing Higher Education, Federal Student Assistance: A Review of Title IV of the Higher Education Act. Consortium on Financing Higher Education, Hanover, New Hampshire, 1975, p. 2.

In addition, at least fifty-three of the fifty-six eligible States and other jurisdictions have their own aid programmes for low-income students, which account for 7 per cent of all direct aid. Many educational institutions provide, as well as administer, student aid, and in addition, there are a great variety of private agencies, charities, foundations and banks offering assistance to students or their families. Together institutional and private funds account for 13 per cent of all student aid. The estimated distribution in 1976-77 is shown in Table 3.

(i) Type and purpose of aid

Students in the United States receive aid from public funds directly in three different forms, or most frequently, in an "aid package" which combines the three types:

(a) grants or scholarships;
(b) loans;
(c) specially provided paid employment.

In addition, there are two indirect forms of aid:

(d) subsidised tuition, by means of below-cost fees;
(e) tax concessions.

Instead of looking at the way students receive support, we can classify aid in terms of the way government subsidies are given, which gives rise to the following classification:

(a) grants to institutions to subsidise tuition;
(b) grants to students for tuition fees;
(c) grants to students for maintenance expenses;
(d) loan funds provided directly by the government;
(e) government guarantee and interest subsidy for loans provided from private or institutional funds;
(f) wage subsidies for student employment programmes;
(g) loss of revenue through tax relief provisions.

The purpose of the different types of aid vary considerably and there have been frequent changes in the main purpose of particular programmes, and corresponding changes in the type of student they try to attract. For example, one of the original purposes of the National Defense Student Loan Program of 1958 was to

TABLE 3

Distribution of Financial Assistance for Students in the United States by Source of Funds, 1976-77

	US$ Million	% of Total
Federal Programs		
(a) Grants		(18)
Basic Educational Opportunity Grants	1,526	
Supplemental Educational Opportunity Grants	240	
State Student Incentive Grants	44	
Bureau of Indian Affairs Grants	33	
Nursing Grants and Loans	21	
Law Enforcement Educational Program Grants and Loans	40	
(b) Loans		(18)
Guaranteed Student Loans	1,300	
National Direct Student Loans	567(1)	
(c) Employment		(4)
College Work-Study Employment Program	390(2)	
Sub-total	4,161	(40)
(d) Benefit Programs		(45)
Social Security Benefits	1,183	
Veterans' Benefits	3,600	
All Federal Funds	8,944	(85)
State Programs		(6)
Scholarship and Grant Programs	601	
Institutional and Private Programs		(9)
Institutional Scholarship and Grants	600	
Institutional Loans	60	
Institutional Employment	320	
Private Sources	60	
TOTAL	10,585	100

Source: College Scholarship Service, Financial Aid News, June, 1976, slightly revised in accordance with Federal budgetary amounts and National Association of State Scholarship and Grant Programs, 8th Annual Survey, 1976-77 Academic Year, p. 1.

(1) NDSL amount includes $327 million direct Federal appropriation and $240 million provided from collection on prior loans.

(2) Institutional matching shares for NDSL and CWSP are included in the institutional funds.

attract students to become teachers, but the special provisions for teachers have gradually been reduced and the programme has given greater weight to the more general objective of increasing equality of opportunity. Here, too, the emphasis has changed. When the loan programme was first developed it primarily served low-income students, but gradually the terms of the programme have been adapted to include more students as other aid programmes, chiefly grants, have filled a larger proportion of the needs of low-income students. So that now, the criterion for eligibility is "financial need", judged in terms of the balance between available resources and requirements rather than simply family income. This means that it is difficult to judge the effectiveness of different types of aid because not only do their objectives vary, but they may actually change over time.

Private aid programmes have a very wide variety of aims, some fairly general, and some very specific, such as to increase the supply of black doctors (The National Medical Fellowship); private and institutional funds are provided in the form of scholarships, loans, or in a few cases special employment programmes.

State programmes also vary considerably. The main kind of financial support for higher education from State governments is institutional grants to cover, or subsidise, the costs of tuition in public colleges or universities. Some states also provide institutional grants for private institutions, but several States are prevented from doing so on constitutional grounds, since many of the private institutions have religious affiliations. Therefore, one of the most important ways in which state governments can support private institutions is by aid to students to enable them to pay fees. A few states (12 in 1976) do offer grants only to students at private institutions, in an effort to close the "tuition gap" between public and private colleges, but the majority of state scholarship or grant programmes are available for public or private institutions(1)

State governments have increased the amount of direct student aid considerably in recent years, partly as a result of incentives provided by the Federal Government through the State

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(1) National Association of State Scholarship Programs, Annual Survey, 1976.

Student Incentive Grant Program which started in 1974-75, and which provides "matching funds" from federal sources for the establishment or expansion of State scholarship schemes. Nevertheless, State provision is highly uneven. In 1976-77, five States provided 66 per cent of all State scholarship funds. The main types of aid provided by State governments include:

(a) competitive scholarships, awarded on academic merit;
(b) non-competitive grants, awarded on grounds of need;
(c) educational opportunity grants specifically for low-income students;
(d) tuition equalisation grants for students in private institutions;
(e) direct loans with interest subsidy for students in particular types of training, e.g. teacher training;
(f) guaranteed student loans, often in conjunction with the Federal government's loan schemes.

The most striking feature of student aid in America is the increasing involvement of the Federal government, which now provides 85 per cent of all direct aid to students. The first significant public aid for students was provided after the Second World War for returning veterans, who were able, under the "G.I. Bill", to receive for up to three years subsidies for tuition as well as an allowance for living expenses while they continued their education, interrupted by the War. Benefits for ex-servicemen provided by the Veterans Administration are still the largest single student aid programme, and have recently increased sharply because of the large numbers now eligible for benefits after the Vietnam War. Veterans' benefits accounted for 40 per cent of all direct federal aid for students in 1976-77, and a third of the total expenditure on student aid. This creates certain problems. It means that the main objective of this very substantial programme is to provide a benefit for military service; educational opportunity and increasing the supply of trained manpower are only indirectly promoted. It also means that the criteria for eligibility are quite different from those applied under other programmes, in particular there is no attempt to relate benefits to financial need. In some cases, it is claimed, administration of the scheme is less stringent than other student aid schemes, and there have been reports of veterans enrolling and claiming their educational benefits, but dropping out without attending any course.

Another major source of federal funds for student aid is the Social Security Administration, which provides special benefits for students who are the children of retired, disabled, or deceased parents, drawing social security pensions. This programme, like the programme of veterans' benefits, has increased markedly in recent years, but a recent report by the Carnegie Council on Policy Studies in Higher Education pointed out that this has been "largely fortuitous and unplanned" and has arisen because expenditures on veterans' and social security benefits are "open-ended and non-discretionary, because they are determined by the provisions of legislation and by the number of students who take advantage of the benefits as a matter of entitlement".(1)

Students of nursing and the health professions ard provided grants and direct loans which may be cancelled in part for each year of national service in areas where there are shortages of personnel in their specialty. In addition, a programme of guaranteed loans was established in October 1976 under which students enrolled at approved schools for health professionals may borrow up to $10,000 per year at 10 per cent interest (no subsidy). Aggregate loans may not exceed $50,000 for all loans under this programme, which will be operative when staffing has been provided.

The other main programmes funded by the Federal Government consist of three grant programmes, two loan programmes and one employment programme, all included under Title IV of the Higher Education Act of 1965. Until quite recently, the majority of Federal student aid was in the form of loans. It is still a matter of debate in the United States as elsewhere, what should be the balance among loans, grants, and subsidised work for students. In 1967, for example, the United States Office of Education announced:

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(1) Carnegie Council on Policy Studies in Higher Education, The Federal Role in Post-secondary Education: Unfinished Business 1975-80. Jossey-Bass Publishers, San Francisco, 1975, p. 11. Figures in this report for veterans' benefits and social security benefits are substantially higher than the ones quoted in this paper, but the reasons for this discrepancy are not clear.

> "The Federal Government, as a matter of public policy, has fostered student loans as a principal means of providing assistance to needy students, and is now extending benefits of loans to students from middle-income families not previously eligible so that additional students will attend college."(1)

Federal grant assistance began in academic year 1966-67, with the Educational Opportunity Grants Program, authorised by the Higher Education Act of 1965, and funded at a level of $58 million in its first year. The Education Amendments of 1972 authorised 3 grant programmes: the Basic Educational Opportunity Grant Program, the Supplemental Educational Opportunity Grant Program (which is virtually identical to the former Educational Opportunity Grants Program), and the State Student Incentive Grant Program. The Basic Grant Program began operation in 1973-74, with an authorised funding level of $122 million. It has grown rapidly, to a level of $1,526 million in academic year 1976-77. Largely because of this huge increase, grant assistance now equals loan assistance in Federal funding. In fact, if the non-need based programmes (veterans benefits, social security benefits) are included, grant assistance now substantially exceeds loan assistance.

One study has commented that loans are the most troublesome form of student assistance provided by the United States Office of Education(2). Criticisms and evaluations of the loan programmes will be summarised later. For the moment, this section simply provides a description of each programme.

(1) National Direct Student Loan Program (NDSLP)

This programme was enacted in 1958 as the National Defense Student Loan Program, and has been amended many times. In its current form, the programme provides Federal capital contributions to participating institutions of post-secondary education, to be matched by the institution on a 9:1 Federal:institutional ratio. to create a revolving loan fund at each participating institution. The fund provides long-term, low-interest loans to financially needy students. No interest accrues while the borrower remains enrolled in an eligible institution on at least a half-time basis, nor during a nine-month grace period after he graduates or leaves school. Then a repayment period of up to ten years begins, during which the student is charged 3 per cent simple interest on the unpaid principal amount of the loan. Amounts repaid by borrowers are returned to the fund, to be relent to other needy students. Repayment may be deferred for up to 3 years of Peace Corps. VISTA (Volunteers in Service to America), or military service. Additionally, loans may be partially or fully cancelled for certain types of teaching and military service; the provisions vary, according to the date on which the student obtained the loan. There is no annual limit per se on the amount of the loan, but the current aggregate limits are $2,500 for the first two years of undergraduate study, $5,000 for all undergraduate study, and $10,000 for graduate and professional study (including amounts borrowed while in undergraduate status).

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(1) J. Kirkpatrick, A Study of Federal Student Loan Programs. Prepared for the Sub-Committee on Education of the Committee on Labor and Public Welfare, United States Senate, Government Printing Office, Washington, 1968, p. 1.

(2) Consortium on Financing Higher Education, op. cit.

(2) Guaranteed Student Loan Program (GSLP)

The Guaranteed Student Loan Program is authorised by the Higher Education Act as amended. Operations began in 1966-67. (Prior to that time, many States had already established State guaranteed loan programmes for financing of students' higher education costs.) The programme provides for lenders (commercial banks, savings and loans associations, credit unions, pension funds, insurance companies, State agencies and some schools) to receive either Federal insurance or, alternatively, State and private, non-profit agency guarantees, for loans to students. The interest on all loans is 7 per cent. For qualified students, the Federal Government pays this during the period when the student is in school and for a grace period of 9 to 12 months following school. Up to 10 years is permitted to repay. On all loans outstanding, the Federal Government pays a special allowance up to 3 per cent (5 per cent after September 1977) as an offset against going commercial interest rates. A majority of loans under this programme are guaranteed by State agencies, most of which have obtained reinsurance from the Federal Government. As recently revised by the Education Amendments of 1976, the current annual and aggregate limits for a student borrower are $2,500 annual and $7,500 aggregate for an undergraduate borrower and $5,000 annual and $15,000 aggregate for a graduate or professional student (including undergraduate loans).

(3) Basic Educational Opportunity Grants (BEOG)

This programme was created by the 1972 Amendments and began operation in 1973-74. It is intended to be the foundation to which all other financial assistance would be added. The original statute authorised grants of up to $1,400 for each year of undergraduate study. Furthermore, the grant could not exceed the lesser of (a) $1,400 minus the student's expected family contribution to his educational costs or (b) one-half his cost of attending his institution, including both tuition and maintenance costs.

The programme is unique among the United States Office of Education's student financial aid programmes, in that a student is provided an "entitlement" to the grant; if he is determined financially eligible, and if he attends an eligible institution (currently more than 5,500), he is certain of receiving a Basic Grant. However, the guarantee does not extend to the amount of the grant, which is dependent upon the level of annual Congressional appropriations for the programme. The maximum grant paid in 1973-74 was $452; this has increased to $1,400 for 1976-77. As previously mentioned, the funding level of the programme for 1976-77 is $1,526 million.

An amendment in 1976 raises the authorised maximum award to $1,800 beginning in academic year 1978-79; whether that level of award is actually achieved depends upon the outcome of the appropriations process.

(4) Supplemental Educational Opportunity Grants (SEOG)

The Supplemental Educational Opportunity Grants Program was also created by the 1972 Amendments. Its purpose is to expand student choice among the types of institutions. A student may receive up to $1,500 a year for undergraduate study, not to exceed an aggregate limit of $4,000 (or $5,000 for specified five-year courses of study). The institution must insure that the student receives other aid in an amount at least equal to the SEOG award; many of the Federal programmes are eligible sources for this matching requirement. This programme is considered to be an institutionally-based programme because the Federal funds are awarded to participating institutions of post-secondary education, which select the recipients in accordance with specific eligibility criteria based largely on financial need.

(5) State Student Incentive Grants (SSIG)

The State Student Incentive Grant Program is the third grant programme created by the 1972 Amendments. It was intended as an incentive to States to establish State under-graduate-level, need-based grant programmes. Prior to its enactment, 27 States had programmes of that nature; currently all but 3 of the eligible 56 jurisdictions are operating SSIG programmes. The Federal funds awarded to a State in this programme must be equally matched by the State and used in an undergraduate grant programme where eligibility is determined on the basis of financial need, and in which the Federal share of the award to a student does not exceed $750 per year.

(6) College Work-Study Program (CWS)

The College Work-Study is the second-oldest of the six Office of Education programmes; it was authorised in 1964 and began operation in January 1965. Like the SEOG programme, it is institutionally-based; the Federal Government awards funds to the participating institutions, which select the recipients. The Federal Government provides 80 per cent of a student's wages earned under this programme, and the institution provides the remaining 20 per cent.

The actual combination of aid available to a student depends on many factors, including the institution he attends (not all institutions participate in all programmes), his State (some States get a bigger share of Federal funds than others), his family income level (some programmes make more funds available to low-income students), his demonstrated financial need (that is, the gap between his family's assessed "ability to pay" and his requirements), the availability of private resources, or capital, at his institution, and his own willingness to pay. Generally, the particular combination of aid offered to a student is decided by the institutional financial aid officer, when he offers the student an "aid package"; however, the Basic Grant award is determined by formula, and the availability of a Guaranteed Student Loan is contingent upon the student's locating a lending institution that agrees to make him such a loan. As one report recently put it: "Packaging is the moment of truth when it all comes together, where the broad funnel of aid resources comes to its narrowest point and these resources delivered to the student"(1). This process is often done with great skill, but it can be fairly arbitrary and for some students one factor may have much more weight than the others. Because of the multiplicity of types of aid the question of the equity of the distribution of available funds is particularly important.

(ii) Proportion of students receiving aid

The proportion of students receiving aid varies considerably, according to the type of institution they attend, and their family income level. Taking all students together, one study in 1972-73 showed that the proportion of students receiving some form of Federal aid ranged from 52 per cent of students from the lowest income category, to ten per cent in the highest category. The proportion of high income students receiving loans was much higher than the proportion receiving grants. On the other hand, the proportion of students enrolled in four-year courses who received aid was much higher than the proportion in two-year or vocational schools, with 68 per cent of the lowest income students receiving aid in four-year colleges, compared with only 39 per cent in vocational schools. The same survey showed that on the whole a higher proportion of upper-income students received aid from non-Federal sources than received Federal grants or loans. The results of this survey are reproduced in Table 4(1).

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(1) National Task Force on Student Aid Problems reprinted in Higher Education Legislation 1975: Hearings Before the Sub-Committee on Education of the Committee on Labor and Public Welfare, United States Senate, Government Printing Office, Washington D.C., 1975.

(iii) Administration of aid

Because of the wide variety of methods of aid, administration of American student aid is very complex, and there are a number of Federal, State and private agencies involved, as well as institutions and private banks. Colleges and universities have their own financial aid administration whose responsibility it is to assess students' financial need and eligibility for aid, and decide on the appropriate "aid package" for individual students. This is frequently very complicated, since all the various programmes for aid have different criteria for eligibility, but nearly all are based on "need analysis" which attempts to take account of the income, assets, liabilities and essential expenses of parents, and the necessary costs of tuition and maintenance of students. Therefore, there is a wide variety of agencies offering services to financial aid administrations. For example, private agencies such as the College Scholarship Service offer a range of material and data processing facilities to help calculate a family's "ability to pay".

In addition, the Federal Government has established a government-sponsored private corporation called The Student Loan Marketing Association (known as Sallie Mae) to provide a secondary market for student loans; this is done by providing what is known as "warehousing facilities", which means that the corporation can provide short-term loans to institutions, with the GSLP loans as collateral, or even buy student loans, on condition that the funds generated are re-invested in further loans for students.

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(1) National Center for Education Statistics, The Condition of Education, 1975, Table 61.

TABLE 4

UNITED STATES

–Percentage of students enrolled in postsecondary education receiving financial aid, by family income and type of aid, for high school graduating class of 1972: 1972-73

Source and type of aid	Family income									
	Less than $3,000	$3,000 to $5,999	$6,000 to $7,499	$7,500 to $8,999	$9,000 to $10,499	$10,500 to $11,999	$12,000 to $13,499	$13,500 to $14,499	$15,000 to $18,000	Over $18,000
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
					Enrollees in all institutions					
Federal aid										
Total Federal aid	52	48	41	38	34	27	24	24	18	10
Loans	28	25	25	25	22	18	16	18	13	6
Scholarships or grants	28	21	14	12	7	5	4	3	3	1
Non-Federal scholarships, grants or loans	32	31	32	32	33	27	28	23	20	14
					Enrollees in vocational-technical schools					
Federal aid										
Total Federal aid	39	40	33	32	24	23	19	32	23	12
Loans	27	23	19	20	19	19	13	27	17	10
Scholarships or grants	8	7	8	6	1	5	0	0	2	0
Non-Federal scholarships, grants or loans	17	13	14	15	14	7	14	19	10	1
					Enrollees in 2-year institutions					
Federal aid										
Total Federal aid	42	43	32	24	21	16	11	8	7	7
Loans	13	14	13	9	4	7	1	4	4	2
Scholarships or grants	19	16	12	8	5	4	3	0	2	0
Non-Federal scholarships, grants or loans	26	28	24	23	20	16	19	9	11	8
					Enrollees in 4-year institutions					
Federal aid										
Total Federal aid	68	59	53	50	44	37	34	30	23	11
Loans	39	37	38	36	32	25	25	23	16	7
Scholarships or grants	45	32	20	17	11	7	6	4	4	2
Non-Federal scholarships, grants or loans	46	45	48	44	47	42	37	29	26	17

NOTE.–In addition to Federal scholarships, grants, and loans, total Federal aid includes: college work-study programs, Law Enforcement Educational Programs, Veterans' Administration War Orphan or Survivor Benefits Programs, Veterans' Administration direct benefits (G.I. Bill compensation or pension), Vocational Rehabilitation Program benefits, Social Security benefits (for children 18 to 22 who are children of retired, disabled, or deceased parents).

Federal loans include: Federal Guaranteed Student Loan Programs, National Defense (Direct) Student Loan Program, Health Professions Student Loan Program, and Nursing Student Loan Program.

Federal scholarships on grants include: Educational Opportunity Grant Program, ROTC scholarship or stipend, Nursing Scholarship Program, and Health Professions Scholarship Program.

Non-Federal grants or loans include: College scholarship or grant from college funds, State scholarships, other scholarships, State loan programs, and regular bank loans.

SOURCE: U.S. Department of Health, Education, and Welfare, National Center for Education Statistics, National Longitudinal Study of the High School Class of 1972, preliminary data.

Institutions of post-secondary education have long argued that they are not adequately compensated for their costs of administering the student financial aid programmes. Prior to the 1976 amendments, they could deduct up to 3 per cent of their expenditures for student awards in the SEOG, CWS and NDSL programmes, not to exceed a total of $125,000 per institution for any one year. The 1976 Amendments raised the deduction to 4 per cent, not to exceed a combined $325,000. The 1976 Amendments also authorised payments of $10 per Basic Grant recipient and $10 per Guaranteed Student Loan Program recipient, to participating institutions; however, as of this writing it is uncertain whether the latter two authorisations will be funded. Further, the amendments also specify that all administrative expense payments must be used to provide newly-specified student financial aid information services, with any remaining funds used for other administrative expenses.

(iv) Level of aid

The total expenditure on student aid in 1976-77 has been estimated as $10.6 billion(1). Of this, the Federal Government provided $9 billion, State governments $0.6 billion, and institutions and private sources together about $1 billion.

The average and the maximum amount available per student vary considerably. For instance the BEOG programme stipulates at present that a grant may not exceed $1,400, or half of a student's total costs of higher education (including tuition fee and living expenses). Thus, his entitlement depends on his family income and the level of costs at his chosen institution. In 1976-77 the average grant is about $900.

The maximum amounts that may be borrowed under each of the two Federal loan programmes are shown above. However, it is possible for a student to increase his debt by borrowing from both programmes. In 1976-77 the average Guaranteed Student Loan is estimated at $1,200, and the average National Direct Student Loan is about $690.

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(1) See Table 3.

(v) Eligibility of students for financial assistance

Eligibility for all the programmes except the GSLP is based upon financial need, but the degree of need to qualify for assistance varies among the programmes. Financial need is defined as the difference between the student's cost of education (also called his budget) and the expected contribution from the student's family toward those expenses. In most cases it is the income and assets of the student's parents that are used to determine the "expected family contribution". However, if a student can qualify as an "independent student", then only the student's own income and assets and those of his spouse, if any, are used to determine the expected family contribution. A student qualifies for treatment as an independent student if he satisfies three criteria established to measure that he is in fact independent of parental support. Some of the Federal financial aid programmes are geared more specifically to lower-income students than others. In order to be eligible to receive a Basic Grant, for instance, the student must have an expected family contribution of $1,200 or less for an academic year. This establishes an absolute standard which a student must meet, regardless of the cost of the institution he attends. Other programmes are open to all students for whom there is a gap between the cost of education at a particular institution and the expected family contribution. Eligibility in those programmes is extended not only to low-income students and lower-middle-income students at colleges in all cost ranges, but also to middle-income students who choose to attend a higher cost institution.

This is because American student aid policy is concerned to increase choice as well as access to higher education. A system which makes aid available simply on the basis of the family's absolute financial standing may increase access for poor students, but it will do nothing to increase the freedom of choice of those whose family resources are inadequate to finance a long, or expensive course. The debate about how to frame the student aid regulations in order to achieve both objectives continues.

At present BEOG grants are available only to low-income students, but there is a condition that the total grant must not exceed half the costs of the student at his chosen institution, nor exceed $1,400. ($1,800 beginning in 1978-79.) This means that a student at a low-cost college may receive a smaller grant than a student at a more expensive college, even though he comes from a poorer family. Many people judge this to be fair, but there have been proposals to abolish the half-cost provision on the grounds that the poorest students now suffer as a result of it.

The criteria of eligibility for the NDS Loans are stricter than for GSLP, since the NDSL programme is intended for a lower-income student. The interest rate to the student is also lower - 3 per cent compared to 7 per cent.

A comparison of the distribution of Federal aid recipients by family income level, with the distribution of enrolments, showed that all the Federal programmes are focussed primarily on low-income groups, but that loans are much more available to middle and high-income students than either grants or work-study. The results of this comparison are shown in Table 5, which shows that, for example, between 58 and 76 per cent of Education Opportunity Grant holders, in 1972 (now replaced by SEOG grants) came from families with an income below $6,000, and only about 0.2 per cent came from families in the top income category, but loans are much more evenly distributed between different income groups(1).

(vi) Tuition fees

Nearly all American colleges and universities charge fees, but they vary considerably. In 1976-77, the college Scholarship Service estimates that average fees range from an average of $387 at public two-year colleges and $621 at public four-year colleges to $1,740 at private two-year colleges and $2,329 at private four-year colleges(2).

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(1) The table is reproduced from: National Commission on the Financing of Post-Secondary Education, Financing Post-Secondary Education in the United States, Government Printing Office, Washington, 1973.

(2) College Scholarship Service, Student Expenses at Post-Secondary Institutions, 1976-77. College Entrance Examination Board, New York, 1976, p. v.

This means that a large part of student aid in the United States goes towards tuition costs. It is somewhat artificial to state what portion of student financial aid money goes to finance tuition, because financial aid officers usually award a student a "package" of more than one type of aid, to apply against the student's total cost of education, which generally includes tuition and other fees, books and supplies, room and board costs, and allowances for personal expenses and for transportation. Specific forms of aid are not usually identified with specific components of educational costs. Nonetheless, the Commission on the Financing of Post-Secondary Education estimated that in 1972-73 a total of $4.4 billion of student aid was devoted to fees and $1.1 billion to living expenses(1). Their calculations also suggest that the total expenditure by students or their parents on fees was $10.3 billion, which means that student aid covered 43 per cent of the total expenditure on fees. This means that American students receive less government subsidy towards both their tuition costs and their maintenance than in countries like Norway and Sweden, where fees have been abolished, and where student aid is devoted entirely to living expenses.

The Carnegie Commission estimated that students or their families contributed about one-third of the total money cost of higher education (both tuition costs and living expenses of students) in 1970-71; part of this was in the form of fees and part in the form of maintenance costs. The remaining two-thirds came from public funds or philanthropy. However, if the opportunity cost, or earnings foregone of students are included, the proportions are reversed, with students and their families bearing two-thirds of the total economic cost(2).

(vii) Conditions of student loans

The conditions of borrowing under the two Federal loan programmes differ in several important respects. The most important is that NDSL loans are awarded to the student by the

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(1) National Commission on the Financing of Post-Secondary Education. op. cit.

(2) Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? McGraw-Hill, New York: 1973, pp. 2-3.

TABLE 5

UNITED STATES

PERCENTAGE DISTRIBUTION OF FEDERAL STUDENT AID RECIPIENTS, BY FAMILY INCOME GROUP AND TYPE OF INSTITUTION, 1972.

Type of Student Aid by Income Groups	Research Univ.		Ph.D. Granting		Comprehensive		Liberal Arts	
	Public	Private	Public	Private	Public	Private	Public	Private
Education Opportunity Grants								
less than $3,000	22.5%	20.8%	22.2%	20.1%	32.3%	23.2%	27.2%	27.0%
$3,000-$5,999	44.3	41.6	43.5	38.2	43.6	40.0	42.2	40.6
$6,000-$7,499	18.2	21.0	19.8	21.9	14.6	19.6	18.8	17.3
$7,500-$8,999	12.4	14.2	11.3	16.8	8.1	14.0	9.4	12.6
$9,000-$11,999	2.4	2.2	3.0	2.4	1.3	2.9	2.3	2.3
$12,000 and over	0.2	0.2	0.2	0.6	0.1	0.3	0.1	0.2
College Work Study								
less than $3,000	16.2%	9.6%	14.7%	12.1%	23.2%	14.6%	18.6%	18.3%
$3,000-$5,999	27.6	19.1	26.6	20.5	32.7	24.8	26.4	27.5
$6,000-$7,499	17.8	15.0	16.9	15.5	15.7	16.1	17.4	14.8
$7,500-$8,999	15.1	14.8	13.7	15.2	11.8	14.8	15.5	13.2
$9,000-$11,999	16.3	20.2	15.5	21.8	12.2	19.0	15.1	16.1
$12,000 and over	7.0	21.3	12.6	14.9	4.4	10.7	7.0	10.1
Direct Loans								
less than $3,000	14.1%	7.5%	12.4%	8.7%	20.8%	10.4%	15.7%	13.2%
$3,000-$5,999	22.3	12.8	23.2	17.0	29.4	17.5	26.8	20.8
$6,000-$7,499	13.9	9.6	15.6	11.9	15.0	12.1	16.1	12.4
$7,500-$8,999	13.8	10.8	14.6	13.3	12.8	13.4	15.1	12.3
$9,000-$11,999	21.3	21.2	20.6	23.4	15.1	22.6	16.5	19.6
$12,000 and over	14.6	38.1	13.6	25.7	6.9	24.0	9.8	21.7
Undergraduate enrolment, 1972								
less than $3,000	1.9%	1.8%	4.7%	10.6%	4.9%	3.4%	**	3.2%
$3,000-$5,999	11.1	5.6	15.0	5.8	13.4	9.0	**	11.3
$6,000-$7,499	4.4	4.3	3.6	6.7	8.0	4.7	**	5.9
$7,500-$8,999	7.8	5.7	7.7	7.1	12.5	9.9	**	7.0
$9,000-$11,999	14.7	13.8	16.6	16.8	16.7	16.1	**	14.8
$12,000 and over	60.1	68.8	52.4	53.0	44.5	56.9	**	57.8

Source: U.S. Office of Education, special tabulations; Current Population Survey, October 1972.

*This table is read as follows: Of the students who receive Education Opportunity Grants and attend public research institutions, 22.5 percent come from families that earn less than $3,000.

**Not calculated because of small sample size.

institution he attends, but only in rare instances is the institution a lender under the Guaranteed Student Loan Program; usually the student must find an outside lending institution willing to make him a loan. Another important difference is the rate of interest. NDSL borrowers' loans do not accrue interest until the repayment period begins; and the interest rate is then 3 per cent. GSL's accrue interest from the date of disbursement, but most borrowers qualify for the interest subsidy while in school; after leaving school, they pay interest of 7 per cent per year. Both loans must generally be repaid within 10 years after the beginning of the repayment period.

NDSL instalments are annual, not less than $360, and may be graduated. GSLP instalments are normally monthly, may not be less than $30, and tend to be equal over the repayment period.

When the Defense Student Loan Program was introduced in 1958, there was a clause cancelling part of the debt for graduates who became teachers, and indeed part of the purpose of the original scheme was to attract more teachers. This provision was very much criticised, on the grounds that it was expensive and inefficient as a method of attracting teachers(1). Hartman, in 1971, listed a formidable number of objections to the teacher cancellation provisions, and concluded that:

> "Teacher cancellations are depriving today's college borrowers of over $20 million in loan funds. The total is growing rapidly. The programme serves no legitimate purpose. It involves wasteful use of administrative time and encourages abuses in the student aid system. There is no bigger road block to converting the NDSL programme into a programme serving the goal of enhanced higher education opportunity for low-income students".(2)

In fact most of the teacher cancellation provisions have now been eliminated. Only teachers of handicapped children, or teachers in economically deprived areas can claim cancellation of their debt.

Under GSLP, the Federal or State Government must pay the lenders their expenses for loan default claims where students fail to make the payments on loans, and then the borrower is required to pay the guarantor, whether a State or a Federal agency.

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(1) R. Hartman, Credit for College, McGraw Hill, New York, 1971, p. 95.

(2) Ibid.

There has been considerable criticism of the high default rates among American students. They are much higher than the rates experienced in Scandinavia, for example(1). The default rate at the end of 1976 was 10.5 per cent (combined Federal/State). Further analysis of the default statistics showed that most defaulters tended to have dropped out without completing a course, to have attended a proprietary school, and to be highly concentrated in a few States or to have borrowed from a few lenders with poor collection records.

(viii) Financial aid for secondary school pupils

The Federal Government does not provide financial aid directly to post-compulsory secondary school pupils, but it does have a wide range of programmes intended to help special categories such as school pupils from low-income areas, drop-outs and potential drop-outs, neglected or delinquent children. The whole policy of compensatory education in the United States is too complex to be discussed in this paper.

(ix) Other forms of financial assistance and sources of income for students or their families

The main indirect source of government aid for students or their families is by way of tax relief. This takes two forms. One is tax benefits to students, such as exemption from income tax and deductions from taxable income of interest payments on student loans. The other is tax deductions for gifts to educational institutions. This encourages gifts for a variety of purposes, including private aid funds. However, there are no estimates of the cost of either type of tax concession.

There are no Federal income tax concessions for parents who pay fees for their child's education, but a few States have such provisions and there have been several proposals to Congress, in recent years, for tax credit schemes. One such scheme was analysed by the Commission on Financing Post-Secondary Education, who estimated that it would cost $1.7 billion in 1980. Families with higher incomes would derive benefit more than low earners, and families paying high fees at private institutions would derive the most benefit(1).

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(1) In 1974 the default rate in Sweden was 2 per cent, but 13 per cent of graduates were excused repayment in that year on grounds of unemployment or low incomes.

Apart from public and private aid the main sources of income for students are parents and part-time or vacation earnings. One study in 1969 showed students receiving 21 per cent of their income, on average, from loans or grants, 15 per cent from part-time work, 44 per cent from parents, and 20 per cent from other sources, including veterans' and social security benefits(2).

(x) Evaluation of student aid programmes and proposals for change

There is no shortage of assessments of Federal aid policies and proposals for change. The Consortium on Financing Higher Education, in attempting to summarise the various proposals concluded "The consistency in the demand for change is only exceeded by the inconsistency of the remedies suggested".(3)

The Consortium's own view is that the student aid system should try to separate its two roles of providing access to higher education for poor students, and providing freedom of choice for a wide range of students, including those from middle income families. This could be done by providing a basic grant for living expenses which would be available to any student simply on grounds of low family income. This would mean that even the poorest student would be guaranteed access to higher education, since he could, if he went to a community college with near zero fees, receive public subsidies for the whole of his tuition and living costs. The Consortium therefore proposed that the BEOG programme should provide a means tested grant equal to the average non-instructional costs of students, taking into account average summer vacation earnings. This would mean, instead of a maximum $1,400, or half of total student costs, the maximum would be $1,600. (As previously mentioned, the 1976 Amendments raised the authorised maximum grant to $1,800 beginning in academic year 1978-79; however, the proposal to base the grant amount on non-instructional costs was not adopted.)

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(1) National Commission on the Financing of Post-Secondary Education, op. cit.

(2) Ibid.

(3) Consortium on Financing Higher Education, op. cit., p. 1.

This would mean that the BEOG grant would ensure a "threshold of support to permit access to zero-tuition public institutions"(1). The problem of promoting choice could then be tackled by relating the SEOG and SSIG grants to tuition costs and distributing them in relation to need, but defining "need" in terms of a student's actual costs, and not simply his level of family income.

The Consortium, like other commentators, suggests that the two Federal loan programmes should be rationalised, and the interest subsidy for NDSL loans be abolished. The Carnegie Council would go further than this, and proposes a much larger repayment period for student loans, up to 20 years, with the size of annual instalments determined by a graduate's income level (rather like the Norwegian system) and a built-in insurance element for low-earners, such as is provided in the Swedish system(2). However, the real difference between such a proposal and the Scandinavian systems is that American loans are apparently provided largely for tuition costs, rather than living expenses.

A more radical step would be to provide completely income-contingent loans, as has been suggested by those who favour a United States "Economic Opportunity Bank" which would provide loans in return for a promise to pay a fixed proportion of graduate income. Private institutions, such as Duke University and Yale have experimented with such a scheme, and there has been a lot of discussion in America about such proposals(3). Income contingent loans can be easily justified in terms of equity, and this has become an increasing concern in America, where several studies have shown that existing systems of financing, for instance in the State of California, involve a re-distribution of income from lower-paid tax-payers to the children of high-income families, who will enjoy higher earnings in the future, as a result of their education(1). However attractive an income-contingent loan scheme appears, as a way of re-distributing the cost burden more fairly, recent experience suggests that there may be considerable difficulties about making such a scheme self-financing in a period of high inflation and unemployment, even though initial calculations suggested they were feasible.

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(1) *Ibid*, p. 13.

(2) Carnegie Council on Policy Studies in Higher Education, *op. cit*.

(3) See D.B. Johnstone, *New Patterns for College Lending: Income Contingent Loans*. Columbia University Press, New York: 1972.

The question of equity has led to demands for a greater share in educational expenditure by the Federal Government, since the taxes which provide Federal revenues are far more progressive than State taxes, which fall more heavily on the poor. In recent years the greatest expansion of Federal funds for higher education has been in the field of student aid, and many commentators have suggested that as the need for veterans' benefits will fall sharply, as Vietnam veterans complete their education in a few years, this money should be used to expand existing grant programmes such as BEOG and SEOG, and make them more widely available.

Despite the many proposals for change there seems to be a feeling that, as one speaker said at the recent Congressional hearings on student aid, if there are certain modifications to existing programmes "we will come very close to having an excellent financial aid system in the United States".(2) There are still gross inequalities of access to American higher education, but the Commission on the Financing of Post-Secondary Education estimated that "because of the broad variety of financial aid programmes available, 1.4 million students - who would otherwise not have attended - have enrolled".(3)

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(1) See Carnegie Commission, *Higher Education: Who Pays? Who Benefits?* *op. cit*.

(2) R. Ramsden in: *Higher Education Legislation, 1975: Hearings*, *op. cit*., p. 95.

(3) National Commission on The Financing of Post-Secondary Education, *op. cit*., p. 136.

III. IMPLICATIONS OF ALTERNATIVE TYPES OF STUDENT AID

Advocates or opponents of particular types of aid frequently make exaggerated claims about the virtues or weaknesses of different methods of financial assistance, but an examination of the evidence shows that one type of aid is hardly ever uniquely associated with the effects claimed for it. This means that it is difficult to draw unambiguous conclusions about the effects of aid, particularly since the majority of countries have a mixed system of student aid, which makes use of different types of support in combination. Japan is the only country which provides all aid in the form of loans; the United Kingdom is the only one, among those under review, to give nothing but grants. Even this is an over-simplification, since both countries provide indirect aid as well as direct aid through loans or grants. All the others have systems which combined, in some way, grants, loans and either subsidised employment or pre-employment contracts. Thus, it is practically impossible to prove assertions like "grants are more effective than loans in promoting working class participation", partly because most countries give both grants and loans to students, but also because the level of working class participation depends on many other factors, apart from finance and type of student aid.

For example, advocates of grants in Britain have claimed that the post-war success in expanding opportunities for working-class students is the result of the grant system. But at the OECD Conference on Education, Inequality and Life Chances, Busch presented data on 20 countries, including most of the countries reviewed here, and concluded, "it is clear that inequality in access to education is important in all OECD countries, and that inequality in access has been reduced almost everywhere".(1) If we compare the chances of access to higher education for the top social category, and the bottom, in each country, we find that in the United Kingdom the improvement between 1960 and 1971 was fairly striking, but not so striking as in France, which did not have such a generous grant system. Similarly, in the United Kingdom, there is much less difference in the relative chances of the two groups than in many OECD countries, but the ratio is exactly the same in the United States, which makes extensive use of loans(1).

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(1) Education, Inequality and Life Chances, Vol.I, OECD, Paris, 1975, p. 163.

It is therefore very difficult to draw conclusions about the effectiveness of different types of aid in promoting equality of opportunity. A few conclusions emerge, however. Research in most countries has shown that one of the most crucial determinants of access to higher education is attainment in upper secondary school and this is the point where many poor but able pupils drop out in many countries. Yet on the whole, financial aid is much more limited at this level than in higher education. In all the countries for which statistics were available, the proportion of secondary school pupils receiving support was lower than the proportion of post-secondary students. As one British newspaper put it recently:

> "Would it be a good idea for a research council to support a five-year project by giving it generous support for the last three years, but no funds at all for the first two? To pose the question is to invite ridicule. Yet that is exactly the principle on which our funding of full-time education beyond the compulsory school-leaving age is based."(2)

Evidence from OECD countries shows that poor students are quite willing to accept loans to pay for either the direct or indirect costs of higher education, but their acceptability increases if the loans are combined with a grant, if they are long-term, and carry some guarantee that the debt will be written off in the case of serious illness. The more concessions built into the system, such as repayments linked with the level of income, or low interest rates, the more acceptable to students the loan becomes, but the greater the need for Government subsidy, and the greater the complexity of administration.

There is evidence on one other point concerning equality of opportunity, namely the effect of loans on female participation. Countries such as Norway or Sweden have not found that the "negative dowry" aspect of loans need deter women from accepting student loans, provided there is a possibility of postponing repayment.

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(1) See Ibid.

(2) Times Higher Education Supplement, 10th October, 1975.

The question of equity is even more difficult. Means tested awards do not by definition, treat all students equally, and some have argued that this is inequitable; particularly for students from middle-income families who face higher than average costs, or who do not receive the parental support assumed in the means test. On the other hand, if the parental means test is abolished, this may mean that the average taxpayer is subsidising the living expenses, as well as the tuition costs of students who are likely to come from higher income groups, and to receive higher than average incomes in the future. It is for this reason that many people feel that it is more equitable to provide support in the form of a repayable loan. In the long run, this involves less subsidy from the taxpayer than if students receive outright grants, although in the short run, the public expenditure saving involved in giving loans rather than grants may be small. In any system of student support a transfer of income is involved, but whereas loans involve a transfer of future income to the present, grants involve a transfer between persons. This is true of any social security payments, but whereas in the case of unemployment benefits, or income supplements, a low level of income is a prerequisite of receipt of the transfer, this is not the case when student grants are not subject to a means-test, and the transfer of income may actually provide the student with the opportunity of an increased life-time income in the future(1).

This means that a system of finance such as the Norwegian, or Swedish, system involving both free tuition and some element of grant for living expenses for all students, regardless of parental means, involves more transfer of income than the American or Japanese systems, where tuition fees are charged and where most student support is means tested. (Veterans' benefits are a significant exception.) On the other hand, it may be argued that a highly progressive tax system can overcome the possible inequities of such income transfers. In Norway, for example, there is a feeling that the question of taxation and income distribution policies should be separated from the question of what subsidies should be given for education. This illustrates the complexity of the question of measuring the equity of the different patterns of student aid.

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(1) For a further discussion of the equity aspects of alternative financing systems, see M. Woodhall, "Distributional Impact of Methods of Educational Finance" in Education, Inequality and Life Chances, op. cit., pp.351-387.

In Scandinavia, part of the rationale for the income transfers is that a major goal of government policy is to promote the financial independence of students. This is increasingly important in other countries, but the majority of OECD countries still regard the parental obligation to support a child while in full-time education as a fundamental principle, and therefore provides indirect aid for students' families, through tax relief, as well as direct aid for students. Indeed in France it is a basic characteristic of the system that the student and his family are regarded as a unit. In the Netherlands the official attitude to this question is changing. In fact, the ten countries differ very markedly in their policy on the age of financial independence for students, ranging from the age of 19 in Sweden to 27 in Germany.

One argument against providing support by means of tax relief is that those with the highest incomes, who therefore pay the most tax, will derive more benefit than low earners. This is one of the reasons why the Dutch Government is in the process of changing from the existing system. On the other hand, many would argue that the equity of each individual element in the structure of taxation or public subsidy, should not be examined in isolation. What is important is not the distributional impact of one policy but the combined effect of all government policies on income distribution. Similarly, there is an increasing awareness that student aid policy must be evaluated, not in isolation, but in the general context of financial support for families, and the structure of taxation. This will continue to be a matter for controversy in OECD countries, but it is likely, and indeed desirable, that the equity implications of alternative methods of financing students should become far more central in future debates about student aid.

Another issue which is increasing in importance is the question of access to non-traditional types of education. In most countries student aid is far more generous for full-time students in higher education than for those in part-time education or for those taking correspondence courses. The Swedish aid system is unusual in taking particular account of adults wanting non-traditional types of education, but even here, the Swedish Government feels that the present system may not provide sufficient support for such people, and has therefore set up a review committee. On the whole, however, governments are fairly slow to adapt aid systems to the needs of adults and part-time students.

One reason is undoubtedly that every such extension of aid involves an increase in public funds, and this raises the question of relative priorities. Even though student unions are reluctant to admit that more expenditure on students means less somewhere else in the system, it is this fundamental question of choice of priorities which rules most decisions about extensions or modifications in the system of aid. In a very few cases an extension in aid can actually be "paid for" by making a corresponding reduction, as the Dutch are planning to do. But most governments are reluctant to earmark revenue saved by one change in policy for a specific increase in expenditure somewhere else.

Most of the aid provided for students in these ten countries has a largely social purpose: enlarging opportunities for access or choice is probably the major objective of all aid systems. Very few countries have tried to make use of aid schemes, to influence the supply of particular types of labour, even though this has often been suggested in the past. The main examples of such policies are on the whole disappearing, as in the United States, where special loan cancellation provisions for teachers and for military service have been greatly reduced. France is unusual in providing a significant part of student aid in the form of "pre-employment contracts" but in France also these represent a declining proportion of total student aid. One reason for this general trend is that special aid provisions have not been very successful in influencing students' career choice. Certainly the American experience suggests that those who have already decided to become teachers will accept a bigger than average loan, in the knowledge that part of it will be written off, but that not many students change their choice of occupation as a result of the loan provisions.

Possibly one reason for this failure in the attempt to use student aid to influence supply and demand in the labour market, is the fact that student aid systems are often not quick to adapt to changing economic or labour market conditions. In recent years one major problem has been the effects of inflation on student aid systems. The German and the Swedish systems, for example, were developed at a time of high employment and low rates of inflation. When these conditions change, characteristics like the Swedish method of repayments based on constant money values, or the German one of calculating eligibility in terms of family income two years ago, suddenly give rise to problems which were not appreciated a few years ago.

This paper has shown that the choice of methods for subsidising students, whether by direct or indirect aid, by loans or by grants, is never simple and depends on what objective is foremost in the minds of policy makers. However, ultimately most decisions are based on what it will cost. One of the arguments most often put forward in favour of loans is that they will lead to a long-term saving in public funds, when compared with a grant system. However, experience with existing loan schemes shows that it usually takes a very long time for student loans to become self-financing. For example, in 1961 in Japan only 14 per cent of expenditure on student loans was derived from past loan repayments; by 1971 the proportion was still only 20 per cent. In Sweden in 1974-75 the proportion was nearly 25 per cent, and in Norway it is about 30 per cent, in the Netherlands 11 per cent. Thus, these schemes will not become self-financing for many years. A government who chooses a loan scheme on grounds of saving public funds must wait a very long time for this benefit.

Even if the government saves public funds by providing only a guarantee or interest subsidy for loans provided by the private capital market, as under the United States Guaranteed Loan Program, the American experience suggests that the complexity and high risks associated with student loans may give rise to demands for a secondary market for loans (such as the United States Government's "Sallie Mae").

Some years ago, a survey of student loan schemes in Scandinavia concluded with the observation:

> "Perhaps one of the most important conclusions from this study of Scandinavian experience is that a perfect system of aid has not yet been developed in any country."(1)

This study of experience in ten OECD countries reinforces this conclusion. Nearly all the countries in this report are in the process of changing, or considering proposals for changing, existing systems of aid. The search for a system that will satisfy the many different, and sometimes conflicting, objectives of student aid policy, is likely to continue for many years in every country.

The following table provides a brief summary of student aid schemes in OECD countries in the latest year for which data were available, when this study was completed (in most cases 1974-75). Inevitably the table includes some over-simplifications, but it provides a general outline of the main features of student aid in each country, and illustrates clearly the diversity of schemes existing at present.

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(1) M. Woodhall, Student Loans: A Review of Experience in Scandinavia and Elsewhere, op. cit., p. 183

FINANCIAL AID FOR STUDENTS IN OECD COUNTRIES

SUMMARY OF STUDENT AID SCHEMES

(in $U.S. at official exchange rates in December each year)

	AUSTRALIA	CANADA	FRANCE	GERMANY	JAPAN	NETHERLANDS	NORWAY	SWEDEN	U.K.	U.S.A.
1. Year for which information is given	1974-5	1972-3	1974-5	1974-5	1974-5	1974-5	1974-5	1974-5	1974-5	1976-7
2. Type of direct financial aid to students	(i) TEAS(*) grant (ii) State scholarships for teachers	Loans (Ontario 50% Grant + 50% Loan)	(i) Scholarship (ii) Pre-salary (iii) Loans	Loan of $33 + remainder grant	Loans (Special loans include an element of grant)	60% Grant + 40% Loan	Basic Grant + Loan	15% Grant 85% Loan	Grants	Grants, Loans and Employment
3. Proportion of students receiving direct assistance (i) Universities (ii) Other higher education (iii) Upper Secondary	58% (i) 76% (ii) 20% (iii)	(i + ii) All Canada 25% Ontario 40% (i + ii) n.a.(iii)	13-15% (i + ii) 36-63% (iii)	45% (i + ii) 25% (iii)	11% (i) (ii) Junior College 4% Technical 24% Post-graduate 55% 2% (iii)	38% 50%	(i + ii) Grant or Loan 69% n.a.	(i + ii) 70% (iii) 100%	90% of home students (ii) 1 - 10%	10-25% receive federal aid (varies according to family income level)
4. Total public expenditure on aid for students in H.E. (excluding tax relief or family allowances)	$206 million	Canadian government $100 million Ontario $72 million	$116 million	$1,162 million (includes aid for secondary education) HE = $800 million	$106 million	$160 million	$99 million	$184 million	$401 million	$9.5 billion
5. Average award per student	$1,745	$824	$1,151	30% of students received maximum 70% less	$330	$762	Grant $302 Loan $1,670	Grant $489 Loan $2,455	$1220	BEOG-$900 SEOG-$524 CWS -$525 NDSL-$690 GSLP-$1,200
6. Maximum award per student	(i) TEAS student at home $2,123 (ii) Student away from home $3,318	$1,406 Total debt: $9,843	$2,099	(i) Student at home $2,041 (ii) Student away from home $2,489	undergraduate $673 post-graduate $1,307	(i) at home $2,042 (ii) away from home $2,988	Grant $10,240 Loan $5,346 Student away from home	Grant $489 Loan $2,597	1975-6 $1,497	BEOG-$1,400 per year SEOG-$1,500 per year CWS - no specified maximum NDSL- aggregate limits only GSLP-$2,500 per year for undergraduates $5,000 per year for graduate or professional study
7. Do students pay tuition fees?	No, but fees in non-Government institutions	Yes	No	No	Yes	Yes	No	No	Yes, but mostly paid by local authorities	Yes, from $387 on average at public 2-yr colleges to $2,329 at private colleges & universities
Average fee per student	$6-700	n.a.	-	-	Public $91 University private $436	$239	-	-	$274	

8. Criteria for awarding student aid:	Yes (TEAS)									
a) Means - tested, according to parental income	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
b) Academic merit	Yes (State Teacher Training Programmes)		Yes		Yes	Yes		No	No	No
9. Age of financial independence	25	25		27		Some categories over 26	20	19	25	Not age-dependent *per se*.
10. What special categories of students (or graduates) receive more favourable aid?	Trainee teachers	Ontario: Special loans for part-time students	Pre-salaries for public officials of teacher. trainees	a few special schemes	Higher awards for trainee teachers and part of loan forgiven for teachers	Loan partly forgiven for teachers, research, or social workers and married students	None	None	Mature students receive slightly higher grants	Teachers of handicapped children, or in deprived areas or persons serving in Armed Forces in areas of hostilities (currently no such areas)
11. Expenditure on secondary school pupil aid as % of expenditure on student aid	17%	n.a.	200%	about 33%	10%	18%	n.a.	12%	4%	n.a.
12. Indirect aid as % of expenditure on direct aid	7%	n.a.	100% of expenditure on scholarships	20%	5%	n.a.	13%	12%	18%	n.a.
13. Are tax relief or family allowances available for students' parents?	Yes Tax relief No estimate of amount of lost revenue	Yes 1972-3 84% of expenditure on direct aid	Yes in 1973-4 tax relief 180% of direct aid Family allowances 97%	Yes Tax relief + allowance	Yes	Yes Tax relief 16% of direct aid. Family allowances 105% of direct aid	No (abolished 1972)	No	Yes Tax relief approx 25% of direct aid	Yes No estimate of amount of lost revenue
14. Proportion of average student income derived from government aid	(i) TEAS 48% (ii) teacher scholarships 70%	(1964) 29%	25% (includes direct aid)	about 40%	between 13% and 30%	65%	61%	over 60%	54% (70% during term)	over 21%
15. Conditions for repayment of loans										
Interest rate	-	8 1/8%	publicly financed 5% private banks 9.5%	0	0	now 0 proposed rate 9%	6.5%	3.2% (from 1975)	-	NDSL 3% GSLP 7%
Maximum period of repayment	-	10 years	variable	variable	20 years	10 years	variable	up to age 50 (average 20 years)	-	10 years
Does repayment vary with level of income?		Proposed, but not yet implemented	No	Yes, to some extent	No	No	Yes	Repayment postponed, or forgiven, if income below fixed minimum	-	No, (except for a few private schemes)

(*) TEAS: Tertiary Education Assistance Scheme
BEOG: Basic Education Opportunity Grants
SEOG: Supplementary Educational Opportunity Grants
CWS: College Work-Study Employment Programme
NDSL: National Direct Student Loans
GSLP: Guaranteed Student Loans

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